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12 July 1985

## USSR REPORT

## USA: ECONOMICS, POLITICS, IDEOLOGY

No 4, APRIL 1985

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## THE DOLLAR AND THE CONTRADICTIONS OF THE CAPITALIST CURRENCY SYSTEM

Moscow SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA in Russian No 4, Apr 85 (signed to press 25 Mar 85) pp 21-34

[Article by S. V. Gorbunov]

[Text] Currency and financial conflicts in the capitalist world flared up again in the first half of the 1980's. American currency was their epicenter, just as it was so many times in the past. This time changes in U.S. economic development caused the exchange rate of the dollar to rise sharply, and this seriously complicated the situation in the sphere of international economic exchange and in the economies of many states and gave rise to new conflicts and contradictions.

In spite of all the West's efforts in the 1970's, it was unable to achieve the long-term stabilization of the international currency system, which is still one of the weakest links in the world capitalist economy. Its reform in the 1970's, particularly the transition to floating exchange rates in 1973, led to only a brief respite in the development of the currency crisis. At present, the capitalist countries are making another effort to stop its intensification by means of a more coordinated approach to old and new problems, an approach that is objectively necessary under the conditions of the constantly increased internationalization of production and capital. But these attempts are once again being frustrated by conflicts between imperialist states. Currency relations are still at the mercy of spontaneous market forces to a considerable extent. At present, this is giving the United States a perceptible advantage in its struggle against its main competitors.

### The Dollar and the International Movement of Capital

Over the last 15 years the exchange rate of the dollar has undergone significant long-term changes of various types in international currency markets. If we ignore short-term, temporary fluctuations, we can discern two main stages in this process. Between 1971 and 1978 the dollar constantly declined, with devaluation calculated at 50 percent in relation to the West German mark, 62 percent in relation to the Swiss franc and 45 percent in relation to the yen. After a short period of stabilization, the value of the dollar began to rise constantly in 1980, and this trend has continued up to the present time. As a result, its average value in relation to the 10 currencies of the United States' main trade partners was 33 percent higher at the beginning of 1984

than it had been in 1973-1979, and the dollar exchange rate was 8 percent higher than the 1970 level.<sup>1</sup> In other words, by the middle of the 1980's the dollar had largely regained the position it had lost in the 1970's and had taken the counteroffensive.

These significant fluctuations in the American currency far exceed differences between the growth rates of commodity prices in the United States and in other leading Western countries. The value of this currency constantly deviates from the level dictated by the relative purchasing power of money, its relative devaluation in relation to goods--that is, from the purchasing power representing the basis of exchange rates. Between 1970 and 1979, for example, the value of the dollar in relation to the West German mark in international transactions dropped by an average of 8.1 percent a year, whereas the average annual increase in U.S. prices exceeded the same indicator in the FRG by only 2.2 percent.

The opposite trend was seen at the beginning of the 1980's, when the dollar exchange rate rose abruptly in spite of the approximately equal rate of currency devaluation in the main capitalist states, with the exception of France and Italy, and not only compensated for its previous decline but was even overstated by 20-50 percent (in relation to commodity prices) by the beginning of 1984. In particular, between December 1979 and May 1983 the value of the dollar in relation to the West German mark rose 48 percent, whereas wholesale prices in the United States and the FRG rose 28.3 percent and 19.9 percent respectively. On the basis of price dynamics, the value of the dollar in relation to the mark should have declined slightly. Furthermore, its rise in real terms even exceeded the nominal rise and was estimated at 58 percent.<sup>2</sup> Therefore, even the floating exchange rate could not prevent significant and long-term fluctuations of the dollar exchange rate from the level corresponding to the relative changes in commodity prices in the United States and abroad.

The reason for this is that the currency exchange rate is influenced by the current relationship between the supply of currency and the demand for it--that is, it is influenced by current changes in the country's balance of payments. At the same time, the balance of payments and, consequently, the currency exchange rate have been increasingly influenced by factors having no direct relationship to the purchasing power of money.

Above all, there is the unprecedented proportion of international transactions and payments represented by financial resources transferred from one country to another outside the framework of foreign trade. According to some estimates, these operations now represent up to 90 percent of the international accounts of developed capitalist countries, as compared to 10 percent in the 1940's and 1950's.<sup>3</sup>

The objective basis of this process is the perceptible increase in the significance of capital exports in international economic relations, especially the unprecedented increase in international credit operations by commercial banks. These operations are taking the place of many traditional forms of capital export, such as government credit, "aid," private direct investments and portfolio investments. In addition to transacting foreign trade contracts,

the monetary sphere of the world capitalist economy is now performing the function of redistributing available finances in accordance with the development needs and possibilities of production on the national and the international levels. The performance of this function was made possible by the creation of a single financial market serving the entire world capitalist economy and the gradual convergence of international and national financial markets.

This is why the capital market now influences the exchange rate of currency almost as much as the commodity market. Now the initial stimulus for a change in the relative value of currency is often provided by differences in the conditions of national finance and credit markets, as these differences soon give rise to the transfer of financial resources on an impressive scale.

In connection with the appearance of a single financial market in the capitalist world, currency exchange rates, which are now relatively "free-floating," not only reflect changes in the foreign trade sector, but also, and perhaps to a more considerable extent, provide a direct--and not indirect, as in the past--reflection of the overall economic position of countries in the world capitalist economy, and this often has no direct relationship to relative price changes over the short or medium range.

In fact, the traditional mechanism of direct and reciprocal ties between the national economy and the world capitalist market are often disrupted under present conditions. In the past, differing conditions of economic development in various countries, primarily differing rates of increase in prices, generally gave rise to changes in the balance of trade and the balance of payments for current operations, including receipts and payments for insurance, freight, transfers, tourism, income from investments, credit and so forth in addition to the results of trade. Changes in the balance of payments led to changes in the currency exchange rate. This, in turn, promoted a return to a relative equilibrium in the international exchange of goods and services. The movement of capital mainly performed the function of the short-term balancing of current receipts and payments. In other words, it was a secondary or auxiliary factor.

Now, on the other hand, the movement of capital is a primary factor in many cases, with its direction and volume largely determining the exact structure of a country's foreign economic relations. In this situation, international financial dynamics determine currency exchange rates, and changes in these are among the main reasons for changes in the balance of payments for current operations, especially the balance of trade. Furthermore, the latter compensates for disparities in the movement of financial resources. For example, a large positive balance in capital transfers gives rise to an equivalent deficit in the current balance of payments, and vice versa.

Therefore, under present conditions the balance of payments for current operations can no longer be viewed, as it often is, as a synthetic indicator of the country's position in the world economy. The size of the current balance cannot always provide even an approximate reflection of the situation in the foreign economic sector. Consequently, the currency exchange rates are also set at a level which compensates to some degree for inequalities in commodity

exchange and disparities in the movement of capital, which do not correspond to the relative level of foreign trade prices in the majority of cases.

The movement of capital affects the currency exchange rate to differing degrees, depending on the specific features of the functioning of a particular country's currency and its place and role in international accounts and payments. From this standpoint, the dollar is most highly influenced by the movement of capital. This is due to the huge size of the U.S. financial market, with its close connection to the international credit market and its high level of integration into this market, and to the position of the dollar in the world capitalist economy as the main medium of accounting and payment and main reserve currency. The situation is different in Western Europe, for example, where foreign trade accounts for a high percentage of payments due to the relatively small national financial markets, and where relationships between national currencies are reflected more quickly and precisely in price changes in various countries.

Transfers of financial resources over U.S. boundaries far exceed foreign trade operations in terms of volume. This is why the status of the dollar depends primarily on the state of the economy in the broad sense of the term. In addition to being affected by price dynamics, the rate of exchange is influenced directly by economic growth rates, cyclical phases and the state of the money market and the capital market--that is, factors determining the convenience and reliability of investments of various types in the United States. A change in these parameters due to financial transfers can and does cause the dollar exchange rate to display sizeable and prolonged deviations from the parity of its purchasing power.

For example, the exchange rate declined in the 1970's, despite the constant (with the exception of 1977 and 1978) positive balance of payments, primarily as a result of the deterioration of overall U.S. positions in the world economy, the United States' failure to keep up with its main competitors in terms of a number of indicators and its sluggish economic growth, interrupted periodically by crises and inflation on scales unprecedented in the postwar period. By the end of the decade the average annual rate of increase in prices exceeded 10 percent. The combination of all of these factors led to the abrupt decline of profits on all types of investments in dollars. In particular, whereas real interest rates (nominal interest minus the price increase rate) were 2-3 percent in the 1960's, they were 1.5 percent on the average between 1973 and 1980.<sup>4</sup> In some years the rate of increase in prices even exceeded loan interest rates. As a result, the value of financial capital as well as the value of money declined for several years. Foreign investors grew increasingly worried about the possibility of substantial losses due to the declining value of the dollar in international currency markets.

As a result, foreign and American investors began to exchange more and more dollars for other, stronger and more profitable currencies. The operations of American banks, which, in the race for profits, extended much more credit to states distinguished by relatively rapid economic development, were another important contributing factor. The volume of new international credit extended by these banks in 1973-1981 increased 20 percent a year on the

average. The international crediting operations of the largest U.S. commercial banks grew much more quickly than their operations in the domestic market. As a result, the proportion accounted for by their foreign assets rose from 11 percent in the early 1970's to 33 percent in 1980, and it even exceeded 50 percent in the case of some banks. In general, the outflow of capital far exceeded the positive balance of U.S. current payments.

In the second half of the 1970's this process snowballed. The abandonment of the dollar caused a decline of unprecedented speed in its exchange rate in 1977 and 1978. The scales of exchanges of dollars for other currencies can be judged from the following data. Whereas the dollar accounted for around 76 percent of the currency reserves in the capitalist world in 1973, the figure was only 68 percent in 1980. The share of the West German mark, on the other hand, rose from 7 to 14 percent.<sup>5</sup>

The situation changed radically at the beginning of the 1980's. The dollar panic gave way to a constant rise in the foreign demand for this currency, stemming from mass transfers of capital to the United States.

This was due to the distinctive features of this stage of U.S. economic development. The United States emerged from the crisis of the early 1980's before its main competitors. The rate of economic growth in the country rose from 3.3 percent in 1983 to around 6 percent in 1984, whereas growth rates in Japan, the FRG, France, England, Italy and Canada in 1984 did not exceed 3.2 percent on the average. According to some forecasts, the average annual growth rate in the United States between 1984 and 1988 will be 3.6 percent, but in England, Italy, France and the FRG it will be 2.6 percent.<sup>6</sup> This attests to the considerable capabilities of the American economy and its ability to use potential reserves effectively for each successive cyclical recovery.

These cyclical, largely natural factors connected with the natural post-crisis acceleration of reproduction were accompanied by the Reagan Administration's purposeful, long-range measures in its sweeping attempt to restore American capitalism's economic, military and political influence in the world. The two main objectives were a dramatic increase in national military potential and the expansion of the investment capabilities of private business, primarily by restricting the growth of consumption by the laboring masses. But internal resources are no longer enough to finance an arms race and the growth of capital investments in production, particularly now that the capital accumulation norm in the United States has been one of the lowest in the capitalist world for many years. This is what promoted the use of the partially natural and partially deliberately engineered and encouraged mechanism for the transfer of foreign savings to the United States. This had a strong impact on national economic affairs, especially the exchange rate of the dollar.

Disturbed by the rapid inflation which was undermining national economic development and the international influence of American imperialism, the heads of the U.S. administration and Federal Reserve System (FRS) decided at the end of 1979 to impose strict controls on the total amount of money in circulation. This lowered the average annual price increase rate to

3.4 percent--or almost the level of the 1960's--by 1983. The efforts to slow down inflation, however, were not accompanied by the reduction of interest rates, which are still at an unprecedented level. Real rates in 1981-1984 did not fall below 5-7 percent. From the standpoint of the currency exchange rate, interest does not represent the absolute value of the real interest rate, but national differences in this indicator, which have been in the United States' favor in recent years. For example, in July 1984 the real interest rate in the United States was a percentage point higher than the rate in Canada, 3 points higher than in Japan or England and 4 points higher than in the FRG.<sup>7</sup>

The high level of real interest rates in the United States is the result of several factors. The restrictive monetary policy of the FRS perceptibly reduced the supply of loan capital. Besides this, restrictions on the maximum rate of interest on bank deposits were relaxed in late 1982 and early 1983, and new types of interest-earning checking accounts were offered to bank customers. This intensified competition between various financial institutions and raised the cost of the money they used. Most of these additional costs were transferred to borrowers by charging higher interest on credit.

The approach of the cyclical phase of recovery in 1983 raised the private demand for credit. The new laws on the quicker depreciation of fixed capital and the tax credits included in the 1981 reform covered the interest costs of corporations and individuals by encouraging applications for credit and stimulating both investment activity and consumption. As a result, despite the high level of real interest, the private demand for credit in relation to the GNP was greater in 1983 than in the first years of the majority of postwar cyclical recovery phases.

An extremely important factor, and recently the decisive one, maintaining the high interest rates is the colossal federal budget deficit, which increased from 68.7 billion dollars in fiscal year 1980 to 194.7 billion in 1983. According to American economists, expenditures will exceed income by a minimum of 180 billion dollars a year in the next 3 years. The budget deficit is now being financed by the circulation of new money, which could be inflationary, and mainly by the growth of loans in the private market. This is the reason for the constantly rising government demand for credit, which tends to make credit even more expensive. The government now accounts for up to 70 percent of all loans.<sup>8</sup>

The deficit is also being financed with the savings of other countries. Foreigners purchasing government securities already account for around 17 percent of the entire U.S. national debt.<sup>9</sup> To make these bonds even more appealing to overseas investors, the United States canceled the 30-percent tax on the income from government bonds held by foreigners.

Judging by all indications, the situation with regard to interest rates is not likely to change in the next few years. For example, according to the estimates of M. Feldstein, the former chairman of the President's Council of Economic Advisers, interest rates and the dollar exchange rate will remain high for at least the next 3 or 4 years.<sup>10</sup>

Under these circumstances, free foreign capital is pumped into the U.S. economy, where its investment produces maximum profits. This is true of international credit and of direct and portfolio investments. American banks have also reduced their overseas operations considerably with an eye on more favorable opportunities within the country. As a result, the United States, the richest country in the capitalist world, became a net importer of capital (around 33 billion dollars) in 1983. In the case of direct investments this occurred earlier, in 1981, and new direct foreign investments in the United States between 1981 and the end of 1983 exceeded similar overseas investments by American corporations by more than 30 billion dollars. In all, the net flow of capital into the United States could reach 70-80 billion dollars in 1984 and could exceed 100 billion in 1985.<sup>11</sup>

In the capital export sphere, the United States has changed places to a considerable extent with Western Europe and Japan in comparison to their relative positions prior to the mid-1970's. Savings are being redistributed throughout the entire world capitalist economy on an increasingly broad scale. The United States now has the ability to finance much of its military preparations and the structural reorganization of industry with foreign resources. According to some calculations, a real GNP growth rate of 5-6 percent in 1984 necessitated the borrowing of a sum equivalent to 2-3 percent of the GNP from foreigners.<sup>12</sup>

It must be said, however, that many specialists, particularly Americans, believe that commercial appeal alone cannot explain the current position of the dollar. Now countries experiencing difficulties in the repayment of their foreign debts, especially the Latin American countries, are also exporting capital to the United States. This could lead to massive economic and social upheavals in them. The owners of this capital are striving to protect themselves against all possible problems, including the loss of their accumulated wealth, and they regard U.S. financial markets as the most reliable place to deposit their funds.

The dollar is also profiting from the escalation of military and political tension in the world. It seems as though the Reagan Administration's efforts to undermine detente and to achieve military superiority are largely dictated by the hope of frightening overseas investors and motivating them to transfer their capital to the capitalist country viewed as the safest in terms of economic and political risks.

The growing burden of the foreign debts of many states also tends to raise the dollar exchange rate in a different way. The net foreign bank debt already exceeds 1.5 trillion dollars, and four-fifths of the debt is owed in American currency.<sup>13</sup> It takes around 120 billion dollars just to pay the annual interest on these debts. Many states, especially developing countries, are now simply incapable of making payments on time. Many payments to creditor banks are not made on schedule. Large sums in dollars are now frozen, but since they were borrowed in the international capital market, the banks have to seek additional resources to fulfill their own obligations, and this is raising the already high demand for dollars. Banks also need funds to act on earlier credit agreements.

Finally, dollars are being acquired by owners of "hot money," who transfer funds from one country to another in the hope of earning speculative profits when exchange rates change. The effects of this kind of speculation include the constant abrupt and chaotic fluctuations in the dollar exchange rate, leading to even more confusion in international currency markets.

In general, it must be said that the present status of the American currency is a result of the United States' international financial and economic position in the first half of the 1980's. The dollar exchange rate reflects the growing disparities in the development of the world capitalist economy, changes in the balance of power between leading imperialist states and the general atmosphere of economic and political insecurity in the capitalist world.

#### Main Effects of U.S. Monetary Policy

These changes in capitalist currency and financial affairs, especially the rise of the dollar exchange rate, reflecting changes in the nature of the economic development of the United States and its main partners, are having a strong reciprocal effect on the state of the economy in various countries, the situation in the world capitalist economy and the entire system of international economic relations. It is still too early to predict the possible effects of the current state of finances and economic affairs because its impact will not be confined to the current phase of cyclical development but will bring about structural changes over the long range. It is clear, however, that capitalism has entered a new stage of economic upheavals, accompanied by the further escalation of many conflicts between leading imperialist states.

The rising value of the dollar due to the influx of foreign capital is one of the main factors deforming the structure of U.S. foreign trade and one of the main causes of excessive imports. For example, whereas exports in 1983 were 21 percent below the 1981 figure, imports were 12 percent higher.<sup>14</sup> During the first 5 months of 1984 U.S. purchases of foreign goods were 34 percent greater than during the same period of 1982, but exports increased by only 8 percent.<sup>15</sup> The American economy is perceptibly more dependent on foreign products. Whereas imports represented 7.4 percent of the U.S. GNP in 1983, the figure in 1984 was around 10 percent.

The rise of the dollar exchange rate allowed foreign exporters to lower prices in American currency because they would still earn the necessary sums after the dollars had been exchanged for national currencies. This raised the demand for the relatively cheaper foreign products in the United States. Conversely, American producers had to raise their prices in the markets of other countries (that is, prices in their national currencies) to receive the same amount in their currency. As a result, American corporate prices became less competitive in the domestic and foreign markets. For example, foreign producers of textiles had a price advantage of around 30 percent over American producers at the beginning of 1984 just as a result of the higher exchange rate of the dollar. According to a statement by Ford Motor Company executives, the actual correlation of prices for passenger cars produced in

Japan and the United States should put the exchange rate of the Japanese currency at 180-190 yen to the dollar. At the end of 1983 the rate was 233 yen to the dollar, which gave Japanese companies an average advantage of 750 dollars on each automobile sold<sup>16</sup>--that is, Japanese manufacturers could charge 750 dollars less than their American competitors for the same product.

The effects of these changes in foreign trade on the U.S. economy have been contradictory. The higher exchange rate of the dollar has promoted a more favorable relationship between import and export prices. This has made foreign economic exchange more profitable. Cheap imports now allow the United States to make more effective use of the production potential of other countries to satisfy its demand for the products of less advanced and less significant industries--ferrous metallurgy, the automotive industry, standard machine toolbuilding, household electronics, the textile, clothing and leather goods industries and others. The higher value of the dollar has lowered the dollar prices of raw materials and has thereby reduced the overhead costs of American corporations. Production for domestic consumption and domestic demand, which is largely satisfied through imports, is now playing a leading role in U.S. economic development. Therefore, the U.S. economy as a whole is now profiting from the current price ratios in foreign trade.

The strong dollar has also helped to slow down inflation in the United States. This is connected with the tendency of imports to lower the overall price level. In addition to the low cost of overseas goods as such and the possibility of reducing overhead costs in industries using imported goods, the fact that foreign competition forces American manufacturers to avoid raising the prices of their goods also plays an important role here. Besides this, the slower growth of exports due to the loss of competitive potential in the area of prices has increased the supply of many goods in the American market and this is also keeping prices down. The influence of changes in the dollar exchange rate on domestic prices can be judged, for example, from the report that the rising cost of the dollar helped to reduce the annual rate of U.S. price increases by approximately 5 percent.<sup>17</sup>

Under these conditions, the rising value of the dollar motivates American firms to step up the modernization of production for the reinforcement of their competitive position. In other words, it represents an instrument necessitating the elevation of technical and quality standards in American industry. The modernization of the U.S. automotive industry, during the course of which a total of around 80 billion dollars was invested in it after 1978, is a graphic example of this. An example of the opposite trend occurred in the 1970's, when the declining value of the dollar allowed American monopolies to escalate prices and inhibited technical innovations.

The current rise in the dollar exchange rate also has its obvious and substantial negative effects. In particular, it has accelerated the process by which the products of traditional U.S. industries are losing strength in the domestic and international markets. Now U.S. competitive potential is relatively high only in a few of the leading industries requiring high scientific input. They, however, will not account for more than 8-10 percent of the GNP even in the middle of the 1990's. The overall state of the American economy and its normal development will continue to depend on old traditional

industries, which are now experiencing a crisis, and largely as a result of foreign competition. In these industries the United States is now losing the contest against its competitors in Western Europe and Japan and even in the "new industrial" countries--that is, a specific group of developing states. Besides this, the dollar exchange rate is now excessive even for industries with high scientific input. The positive balance of trade in their products decreased by 17 percent in 1983. Even producers of agricultural goods, whose competitive potential has never been in doubt, are beginning to experience difficulties in foreign markets.

The inevitable decline of U.S. economic growth rates--and this could happen as early as 1985--will make foreign competition and the need to protect the domestic market increasingly acute problems. In particular, it is possible that manufacturers from industries suffering the most from foreign competition will pressure the U.S. administration to re-establish high protectionist barriers, and this will exacerbate commercial and political conflicts between the United States and its main allies.

The combined effect of the influx of capital, the higher exchange rate of the dollar and the growing disparities in foreign trade is introducing substantial changes into the overall U.S. position with regard to payments. Furthermore, this is now less a matter of quantitative changes than of serious and far-reaching qualitative changes.

For example, the quicker growth of imports has led to an unprecedented increase in the country's balance of trade deficit. Whereas in 1981 and 1982 it was equivalent to 28 billion dollars and 36 billion respectively, the figures in 1983 and 1984 were 61 billion and 116 billion (estimated). In 1985 the deficit could reach 132 billion dollars.<sup>18</sup> The higher exchange rate of the dollar has played a significant part in the disruption of the foreign trade balance in addition to the rise in demand in connection with the current cyclical phase of recovery. According to estimates, a large portion of the 1984 deficit--around 54-55 billion dollars--can be related directly to the rise in the value of the dollar in 1981-1982. Its further rise in 1983-1984 could increase the deficit by another 30 billion dollars by 1986.<sup>19</sup> The size and structure of the deficit are already such that no short-term changes can reduce it, but can only slow down its continuous growth. The fact is that imports exceeded exports by more than 50 percent in 1984. For this reason, even the maintenance of the current imbalance will require the much quicker growth of exports, and this is not likely to occur in the next few years.

The deficit in the U.S. balance of trade is not new. It became chronic in 1976. Until recently, however, the deficit in trade was covered (with rare exceptions) by a positive balance in other types of payments for current operations, especially income from overseas investments and credits. In 1981 this positive balance was 33 billion dollars, surpassing the negative trade balance by 5 billion dollars. Therefore, the United States was still a net exporter of capital at the beginning of the 1980's because it had a positive balance of current payments.

Since 1982 the situation has been changing dramatically, and by 1983 the negative balance was 41 billion dollars, and forecasts put it at 92 billion in

1984. In 1985 it could increase by another 10 billion. This is a result of the absolute size of the trade deficit, which cannot be compared even to the record (1981) positive balance in other current payments, and of the quicker growth of payments for foreign capital investments in the United States (dividends, interest, etc.). As a result, the United States became a net importer of capital.

This has had a substantial effect on the overall credit rating of the United States in the world capitalist economy. The net influx of capital has weakened America's position as the main creditor in the capitalist world. Whereas American assets abroad exceeded foreign investments in the United States by 168 billion dollars at the end of 1983, the figure was only 60 billion in 1984. If this trend should continue in 1985, the United States might become an international debtor for the first time since 1917. By the end of 1986 its net debt could exceed 100 billion dollars.<sup>20</sup>

The probability of this course of events has been admitted by P. Volcker, M. Feldstein, R. Triffin and many other leading American experts on currency and financial affairs. "The continuation of this trend," remarked G. Wallach, member of the FRS board of directors, "in the next 2 or 3 years could cancel U.S. advantages in the sphere of capital exports."<sup>21</sup>

Furthermore, the patterns of capital flows between the United States and other countries do not coincide in many respects. More than half of all American assets abroad are direct investments, which secure control over the production sphere, while the proportion accounted for by these investments in the capital entering the United States does not even reach one-fourth. It is possible that there is another more important consideration here: This is a matter of changes within just 3 or 4 years in the very structure of economic relations in the capitalist world, a structure built up by the United States over a period of more than a decade but apparently no longer corresponding to U.S. interests.

The current high dollar exchange rate cannot last indefinitely. According to many Western experts, some of the factors preventing its decline are already growing weaker, although they still have an effect. For example, President F. Leitwieler of the Swiss National Bank believes that the dollar "no longer reflects the main U.S. economic indicators." This currency is constantly losing stability in connection with the increased dependence of the U.S. economy on foreign sources of financing. In the words of Chairman P. Volcker of the FRS board of directors, "the stability of the dollar...will depend more and more on events abroad."<sup>22</sup>

Under these conditions, the maintenance of the abundant influx of foreign capital and the high exchange rate will be possible only in the presence of relatively rapid economic growth in the United States and relatively low rates of inflation--the factors needed to sustain the trust of foreign investors in the American economy. This trust is not unlimited, and this is attested to by the recent perceptible increase in highly liquid foreign investments, especially short-term deposits, in comparison to direct and portfolio investments. These investments can be withdrawn within hours in the event of the slightest

panic. Whereas the negative balance of payments for current operations was previously covered by foreign direct and portfolio investments, in 1983 the United States became a net borrower in the international banking market as well. In the second, third and fourth quarters of 1983 alone, the net influx of bank capital in the United States was 32 billion dollars.<sup>23</sup>

America will require increasing amounts of foreign capital to finance government spending and capital investments in industry. Furthermore, if the budget deficit stays at its current level for several years, even the savings of the entire capitalist world might not be enough to cover the American economy's capital needs. Furthermore, the growth of foreign investments constantly increases payments on these investments, and they are made with new loans. It has been estimated that payments on foreign debts could already absorb up to 40 percent of all export receipts in 1986.<sup>24</sup> This situation is comparable to the situation in the debtor developing states, which, incidentally, have been subjected to devastating criticism by the Reagan Administration for their inability to keep their affairs in order.

The encouragement of additional foreign capital investments in the United States could require even higher interest rates. This could, in spite of all tax and amortization benefits, eventually give rise to a severe economic crisis, and this would frighten foreign investors.

In view of the limited nature of other sources of budget deficit financing, it is quite probable that the American administration will have to return to the printing press. The inflationary consequences of this were illustrated well by the U.S. experience of the 1970's. Many American economists anticipate the annual price increase rate to rise to 6 or even 10 percent in the future.<sup>25</sup>

The economic crisis and the escalation of inflation would certainly result in the mass withdrawal of capital from the United States and the decline of the dollar exchange rate. Furthermore, it is not likely to have the "easy landing" hoped for by administrative circles in the country and abroad. Totally unrestricted "market forces," despite the respect with which the American administration treats them, are capable of turning the necessary reduction of the dollar exchange rate into a dizzying decline.

This moment has not arrived yet, and this is attested to specifically by the new rise in the dollar exchange rate in the second half of 1984 and the beginning of 1985. The United States is still taking full advantage of the favorable international economic situation in the West and can pursue its economic policy without worrying about its balance of payments. The American administration apparently expects the current substantial technical reorganization of industry to be completed before it is forced to live within its means--that is, before the beginning of a new mass abandonment of the dollar.

The inevitable future decline of economic growth rates and of domestic demand in the United States under the influence of cyclical factors, the possible outflow of capital and decline of the dollar exchange rate and the need to repay debts will require the reduction of the negative balance of payments. Most of the burden here will have to be borne by the foreign trade sector.

In addition to the reduction of imports, the substantial growth of exports will be necessary, particularly by means of the reduction of domestic consumption and investments. Under the conditions of the withdrawal of capital, trade expansion could become one of the main foreign economic policy objectives of the United States. American monopolies will rely on the most advanced industries to launch a new assault on their competitors, but this time in the sphere of foreign trade. Under these conditions, the declining value of the dollar will turn into a strong means of supporting American capital's export offensive, a weapon of devastating competition and one of the main factors contributing to another severe disruption of international economic exchange in the capitalist world.

Washington's self-serving monetary policy has already created the most difficult problems for the majority of capitalist and developing states, including the United States' closest allies, so many times in the past. The current export of capital to America and the rising dollar exchange rate are slowing down their economic development, and the increase in their exports to the United States cannot fully compensate for this. Conditions are particularly severe in the financial markets of the majority of developed capitalist countries. Even without any outside influence, they were already experiencing substantial difficulties in stimulating economic growth by means of fiscal measures and credit; these difficulties were connected with large budget deficits and the dangerous increase in the total amount of money in circulation. Under the influence of the high American interest rates, however, they had to slow down the outflow of capital and the decline of their own currencies by raising the price of credit to a prohibitive level for the majority of local firms. Therefore, the United States is not only using foreign funds to finance the modernization of its own economy in the expectation of a future victory in the competitive struggle, but is also preventing them from taking countermeasures.

Besides this, the higher value of the dollar raises the cost of necessary imports, primarily raw materials, energy resources, foodstuffs and advanced technology, in the local currencies of other countries. As a result, their domestic prices rise and they have to institute a more restrictive monetary policy with all of the ensuing negative effects on their own economic growth.

The predominance of the dollar in international credit operations has made the majority of foreign borrowers directly dependent on Washington's policy. Higher interest rates are not the only consideration. The indebtedness has also been exacerbated by the dramatic rise in the value of the American currency because the equivalent value of debts in other currencies automatically rises along with the dollar exchange rate even in the absence of new loans. It has been calculated, for example, that the redistribution (in terms of currencies) of the present loans of developing countries in accordance with the structure of their foreign trade would save them 40-50 billion dollars a year because less expensive currencies now account for a higher percentage of their loans than before.

Leading capitalist states also bear huge costs of this kind. Significant difficulties are being experienced even by many large West European companies

transacting their business primarily in the currencies of the Common Market countries but obtaining loans primarily in dollars. For example, the increase in France's foreign debt in francs just as a result of the devaluation of its currency in relation to the dollar in 1980-1983 totaled 203 billion francs, or almost 50 percent of its entire debt at the end of 1983. Other members of the EEC--the FRG, Belgium and Italy--are faced by the same situation.

Besides this, the majority of countries in the capitalist world have been increasingly worried about the possibility of the severe decline of the dollar exchange rate. Even the temporary and negligible decline at the beginning of 1984 lowered the value of the stock of capitalist corporations from London to Tokyo. After all, the expensive American currency promotes export growth, and for many countries this is now the main generator of economic activity. This is true of the countries of Western Europe and even more true of Japan and the Southeast Asian states.

Paradoxically, the decline of the dollar exchange rate might complicate, and not facilitate, the repayment of the debts of many developing countries due to the specific features of the geographic structure of their foreign trade. Most of their exports are sent to the United States and have more competitive potential when the exchange rate of the dollar is high. Most of their imports, on the other hand, come from Western Europe and Japan. For this reason, a change in currency rates will reduce their exports to the United States and will make imports from Western Europe and Japan more expensive. Both will create additional difficulties in the repayment of debts.

The capitalist world as a whole is disturbed by the abrupt fluctuations of the dollar exchange rate, which, regardless of their direction, have a negative impact on the state of the economy in the majority of countries and disrupt the normal functioning of the world capitalist economy, although the specific costs of this, as we have seen, vary. The constant significant changes in the exchange rate give rise to commercial risks, complicate corporate long-range planning and reduce the volume of worldwide capitalist trade. The instability of currency exchange rates motivates importers and exporters to reduce their purchases and sales abroad because they cannot be certain of the future dynamics of these rates. According to an FRS study, for example, if fluctuations between 1977 and 1981 had remained with the same range as in 1967-1972, FRG exports and imports would be 8 percent and 15 percent greater respectively. Many West European countries are not using their substantial receipts from the sale of their products abroad for the development of production because they are afraid that the dollar will lose value soon. They are keeping these receipts in reserve as something like an insurance fund in the event of the further intensification of international competition and the reduction of profits. For this reason, the main objective of the majority of capitalist states in the sphere of currency rates is their long-term stabilization on a relatively more realistic level.

Once again, however, the obstructionist behavior and selfish policies of the United States represent an insurmountable obstacle to the long-overdue radical reorganization of the international currency and finance system in the capitalist world.<sup>26</sup>

The United States, which is now in a more favorable position than its main competitors, has acted from a position of strength in its approach to major problems facing the world capitalist economy. In an attempt to prevent even the slightest restriction of its international economic activity, Washington is essentially undermining the search for the objectively necessary mechanism of monetary cooperation.

Reality is once again corroborating V. I. Lenin's statement that changes in the balance of power in the imperialist world are invariably accompanied by the exacerbation of all of capitalism's contradictions and exclude the possibility of "amicable" agreements between competitors. "Financial capital and trusts," V. I. Lenin wrote, "increase, and do not decrease, differences in the speed at which various parts of the world economy develop. And when the balance of power changes, how can conflicts be resolved under capitalism other than by force?"<sup>27</sup>

At present these contradictions are once again being generated by the capitalist currency and financial structure, and especially by the American dollar, representing its foundation. Therefore, in the 1980's the capitalist economy, the stability of which was once guaranteed by the currency of the main imperialist power, will experience new and perhaps even more devastating upheavals.

#### FOOTNOTES

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GENERAL RECALLS POLITICAL, MILITARY ASPECTS OF BATTLE FOR BERLIN

Moscow SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA in Russian No 4, Apr 85 (signed to press 25 Mar 85) pp 47-54

[Article by Maj Gen V. V. Larionov, participant in Berlin Operation: "The Battle for Berlin"]

[Text] During the final stage of the war, when it was absolutely obvious that Hitler's reich would soon suffer utter defeat, Berlin became a realistic military objective. The Red Army was constantly advancing toward Berlin in its great offensive. The dream of taking Berlin also intrigued many in the Anglo-American camp. British Prime Minister W. Churchill's "Berlin ambitions" flared up.

Churchill was deeply disturbed by the message sent by General D. Eisenhower, supreme commander of the Allied Expeditionary Force in Western Europe, to I. V. Stalin on 28 March 1945, in which he suggested that the capture of the enemy troops surrounded in the Ruhr be followed by the development of the offensive through Leipzig to Dresden for the purpose of a rendezvous with Soviet troops there.<sup>1</sup> The Englishman was irritated by the very fact that Eisenhower was communicating directly with Stalin and by the contents of the message, stipulating Dresden as the target of the offensive. He interpreted this as a change in the plans coordinated in January 1945 at the Malta conference of the Anglo-American combined chiefs of staff. There, Berlin was named as one of the main strategic objectives of the Allied armed forces.

But even Eisenhower's own position with regard to Berlin was ambiguous: As early as 15 September 1944 he wrote to Field Marshal Montgomery that "it is obvious that Berlin is the main objective. I feel there is no question that we must concentrate all of our energy and forces for a rapid assault on Berlin."<sup>2</sup>

What was the reason for Eisenhower's change of plans in March 1945, which evoked such a strong reaction from Churchill and Montgomery? Several circumstances must be taken into consideration when this question is being answered. The facts testify that this was not at all a matter of the Americans' desire or lack of desire to take Berlin.

On 15 April 1945 Eisenhower informed Marshall that "it would be stupid to take immediate action against Berlin in view of the relative positions of

Russia's and our troops at this time. We could wear ourselves out for the sake of an operation that probably has no chance of success. Although it is true that we have taken a small bridgehead beyond the Elbe, we must remember that only our advance units have reached this river; our main forces are still far behind.<sup>3</sup> When Eisenhower discussed the military implications of an attack on Berlin with Commander O. Bradley of the 12th Army Group, Bradley told him that "the Allies could lose 100,000 men in an attempt to close the gap between the Elbe and Berlin."<sup>4</sup> Therefore, the Anglo-American command was incapable of amassing the necessary force for an assault on Berlin and had a pessimistic view of the possible losses, although the Hitlerites' resistance in the west was not that strong at the time. President Roosevelt's adviser H. Hopkins remarked: "If we could have taken Berlin, we would have. This would have been a great victory for our army."<sup>5</sup>

Analyzing the military situation of those days in his book "Crusade in Europe," Eisenhower recalled that in March 1945 he and his staff had to conduct offensive operations simultaneously in the north and south of Germany. Insufficient force, however, necessitated the assignment of a secondary position to the northern offensive. We could add that the interests of American monopolies were an important contributing factor: Plants in which American money had been invested and enterprises of particular interest for the so-called "Alsos" mission<sup>4</sup> were located in southwestern Germany.

Furthermore, Japan was still a strong adversary of the Allies in the Pacific theater. Here the Americans needed the assistance of the Soviet Union. To secure this assistance, the U.S. leaders made an effort to adhere to the Yalta conference decisions on German occupation zones and to other Allied agreements. The Americans had the deciding vote on strategic matters concerning the Western Allies: After all, 61 of the 88 Allied divisions in Western Europe were American.

Finally, when Eisenhower began debating the Berlin issue with Churchill and Montgomery at the end of March 1945, the two sides had no shortage of arguments. Churchill tried to convince everyone that Berlin was of political and military significance, firstly as the cohesive center of German resistance and secondly as a symbol of the decisive contribution of its captors to the general victory. Eisenhower, on the other hand, told Field Marshal Montgomery that Berlin would not be that easy to take; storming the German capital would not be such a simple matter. The city was protected by strong defensive lines, and breaking through these lines would entail substantial losses and effort.

In an interview of that time, Eisenhower, who had been attacked by the English and harried by correspondents, said that "the war is being fought for political reasons, and if the combined staff decides that Allied efforts to take Berlin outweigh purely military considerations in this theater, I will gladly change my plans...to carry out this operation."<sup>7</sup>

In any case, the U.S. military command believed that American troops could not forestall the Red Army in the capture of the German capital; the failure to realize this could result in unrealistic plans.

And it was true that the Red Army was approaching Berlin while all of the discussions and arguments were going on in the West.

Marshal G. K. Zhukov recalled that "many postwar conversations with American and English generals, including Eisenhower, Montgomery, De Lattre de Tassigny, Clay, Robertson, Smith and many others, revealed that plans for an Allied takeover of Berlin were scrapped only after a powerful artillery, mortar and aviation attack and a simultaneous tank and infantry assault shook the German defense to its foundations on the Oder and Neisse rivers."<sup>8</sup>

This occurred on 16 April. Within 3 days, on 19 April, judging by a telegram to A. Eden, even Churchill had accepted the inevitable. "Apparently," he wrote, "the Western partners cannot plot a course to Berlin at the present time."<sup>9</sup>

In books by American and West European authors, the battle for Berlin is often misrepresented. The reader is left with the impression, for example, that it was of no great political or military significance. Some authors even go so far as to say that "this was not a real battle," but only "a mopping-up operation, directed mainly against the civilian population."<sup>10</sup> According to them, the organized front of German Fascist troops against the Red Army no longer existed in April 1945. "The front on the Oder," in the words of American historian E. Ziemke, "was only slightly less of a prop than the fortress of Berlin."<sup>11</sup>

Statements like these and other fantasies can also be found in official government documents of the United States and Great Britain.

In fact, what confronted the three Soviet fronts advancing toward Berlin was not a prop, but a fully organized and heavily fortified front of two army groups: the Visla and the Central groups, consisting of 48 infantry and 15 tank and motorized divisions, 37 separate infantry brigades and 98 separate infantry battalions.<sup>12</sup> These forces consisted of around a million soldiers and officers, 10,400 guns and mortars, around 1,500 tanks and 3,300 combat planes.<sup>13</sup> The Berlin garrison alone numbered over 200,000 men. Up to 2,000 combat planes and 600 antiaircraft guns were based just in the Berlin area.<sup>14</sup>

The Hitlerites had also involved the civilian population in the defense of the capital. In particular, there were more than 200 volksturm battalions in Berlin.

The Berlin defense was echeloned in depth. Its basis was the Oder-Neisse line of defense and the Berlin defense zone.

The Oder-Neisse line, from 20 to 40 kilometers deep, consisted of three fortified sections. The second section, following the Seel Heights 10-20 kilometers from the forward edge, was particularly strong in the engineering sense. The density of antitank mines reached 2,000 per square kilometer in probable lanes of tank approach.

Three defense perimeters had been established around the city: outer, inner and urban. The entire city had been divided into nine defensive sectors with

an official in charge of each. The central sector, where the Reichstag and Imperial Office were located, had the strongest fortifications.

The entire Berlin defense system was based on the expectation of protracted resistance. It grew denser toward the center. Massive stone structures had been adapted to withstand a lengthy siege. Defense centers were filled with large quantities of faustpatrones, which became effective antitank weapons in street battles. Therefore, the Berlin defense zone represented a vast fortress with many reinforced concrete shelters and bunkers, the walls of which were inaccessible to field artillery systems.

The total depth of defense installations, counting the Oder-Neisse line and the Berlin zone, was around 100 kilometers.

During all of the battles here, beginning with the Normandy landing, Anglo-American troops never had to deal with enemy defenses of this caliber.

The task of breaking through these defenses and taking Berlin was assigned by the general headquarters of the Soviet Supreme Command to the First and Second Belorussian and First Ukrainian fronts, which included 21 field, 4 tank and 3 air armies and 14 separate tank, mechanized and cavalry corps. The advancing troops in the Berlin operation included two field armies of the Polish forces, Polish tank and aviation corps, two artillery breakthrough divisions and one separate mortar brigade. In all, the group of Soviet and Polish troops in the Berlin advance numbered 2.5 million men, over 41,600 guns, more than 6,250 tanks and 7,500 planes.

The concept of the Berlin offensive operation consisted in breaking through enemy defenses in several areas by means of massive attacks along a broad front from Stettin to Penzig and encircling the Berlin group by closing the circle in the Potsdam region. The division of this group into two separate parts, with their subsequent capture or destruction, was also planned. Between the 12th and 15th days of the operation, advancing troops were supposed to take Berlin, advance to the Elbe and join the Allies in forcing Fascist Germany to surrender unconditionally.

In graphic terms, the Berlin operation consisted in the rapid envelopment of the city from the northwest and southwest and the encirclement of the entire group of German troops, with two smaller inside circles: one around Berlin itself and the other around the field forces cut off from Berlin in the southeast. Furthermore, the troops in the large trap and the two smaller ones were not supposed to be kept in a protracted blockade, but quickly compressed and destroyed if they should refuse to surrender.

Assigned front missions corresponded to this concept.

The main group of the First Belorussian Front, commanded by Marshal G. K. Zhukov, was concentrated in the center, closest to Berlin. This front was assigned a special role in the operation. It was the strongest in terms of personnel and materiel. The front delivered three strikes after creating three strike groups: central (five field and two tank armies) for an attack on Berlin from the east; right (two armies) for the direct support of the

main group from the north and maneuvers for the capture of Berlin; left (two armies) for the direct support of the flank of the main group from the south and maneuvers to cut off the main forces of the German Ninth Army, located southeast of the capital, from Berlin.

The troops of the Second Belorussian Front, commanded by Marshal K. K. Rokossovskiy, were located mainly on the left flank, adjacent to the right flank of the First Belorussian Front. This secured possible maneuvers for the envelopment of Berlin from the north and northwest and the development of the northwesterly advance for the purpose of trapping the enemy maritime group and destroying it within the coastal zone.

The main group of the First Ukrainian Front, commanded by Marshal I. S. Konev, was south of G. K. Zhukov's front. This secured attacks on the city from the south and southwest in the event of delays in the First Belorussian Front's advance. This possibility was envisaged in a directive from the general headquarters of the supreme command.

Incidentally, although the concentration of dense groups of Soviet troops around Berlin left no doubts in the minds of the German Fascist command and although there was no possibility of a surprise attack, the First Ukrainian Front's main assault from the northwest was not expected by Hitler's general staff. It expected Marshal I. S. Konev to attack Dresden for the purpose of joining American troops there and took the necessary measures to prevent this attack.

This is how the alignment of forces looked before the battle for Berlin began.

It was the beginning of the second month of spring 1945. Marshals G. K. Zhukov and I. S. Konev, commanders of the First Belorussian and First Ukrainian fronts, were invited to a special conference at the general headquarters of the Soviet Supreme Command. Supreme Commander-in-Chief I. V. Stalin briefly assessed the situation in the theaters of war and stressed that Hitler was spinning a web around Berlin in order to arouse disagreements between the USSR and the Allies. Only the quickest preparations for an offensive operation could undermine the Fascist leadership's plans to break up the anti-Hitler coalition, prolong the war and strengthen the Berlin defense zone.<sup>15</sup>

General headquarters proposed that the operation begin no later than 16 April and take no more than 12-15 days. The third front, the Second Belorussian Front, was to take the offensive on 20 April.

Actions began to be taken on 14 and 15 April, when a reconnaissance in force was conducted near the Kuestrin bridgehead. Hitler's command interpreted this reconnaissance as an attack by our main forces. To calm the inhabitants of the capital and inspire the troops, Hitler issued a statement on 14 April. "We foresaw this attack," he stated, "and counteracted it with a strong front.... Berlin will remain German."<sup>16</sup>

Hitler's bombastic appeals for the defense of Berlin, as we know, were useless.

The last page of the chronicle of the war began on 16 April. The countdown of the Hitler regime's last hours began with a volley fired by thousands of guns, marking the beginning of the artillery preparation, at 5 o'clock in the morning.

On 16 April Soviet troops began advancing simultaneously from the Oder (First Belorussian Front) and Neisse (First Ukrainian Front). The development of events on the two fronts was not the same. Whereas Konev's troops were successful, stubborn enemy resistance on the Seel Heights slowed down the advance of Zhukov's troops. Under these conditions, general headquarters ordered Marshal Konev to switch to plan two--that is, to send the Third and Fourth Guards Tank armies of Generals P. S. Rybalko and D. D. Lelyushenko north for a direct assault on Berlin.

On the first and second days of the operation, Hitler's command concentrated on holding the Seel Heights line, the second line of defense. All of the Visla army group reserves were sent to this area, and up to 10 counterattacks were attempted on 16 and 17 April. The Soviet command realized that there would be battles for each foxhole, each trench, each block and each building in populated points.

The heights dominated the surrounding area and closed off the approaches to Berlin. There was no possibility of going around them. Spring had come late that year, and the thaws lasted until the end of April. Troops, not to mention tanks, had to stay on the roads and could not negotiate the swamps and bogs. In addition to the canals, springs, lakes and swamps which undermined troop maneuvers, the Hitlerites had turned the entire area between the Oder and Berlin into a densely fortified region. In addition to field fortifications, there were populated points adapted for defense, where each building had to be taken literally by storm.

The enemy used another two reserve divisions for the counterattack on 17 April and the morning of 18 April. Many forces from the Berlin Air Defense Aviation Corps were sent in to defend the Seel Heights. Nevertheless, enemy strength began to wane perceptibly.

Marshal Zhukov's assumptions turned out to be right. When he reported difficulties on the approaches to the heights on 16 April to the supreme command, he said that if the enemy continued to concentrate troops and reserves on the defense of the first and second lines of defense, it would be easier to overtake enemy forces in the center of the defense zone, although no easy victories could be expected there either.

In spite of the Hitlerite resistance, the Seel Heights had been taken by the end of 18 April. The "Berlin lock" had been picked. The enemy retreated to the capital's outer defense perimeter.

The fierce Hitlerite resistance of the First Belorussian Front occupied the Wehrmacht's main forces around Berlin. This led to the creation of a compact group of German troops and facilitated their encirclement. As we know, Hitler's general staff had been tormented by nightmares of encirclement since

the battle of Stalingrad. In the fight for Berlin, the idea of encirclement was again materialized in the Soviet command's plans.

The circumstances and outcome of the operation were changed radically when the tank armies of the First Ukrainian Front advanced to the northwest. The decision of general headquarters turned out to be effective and farsighted when the First Belorussian Front had difficulties advancing on Berlin from the east. The tank troops advanced so quickly that they stayed 45-60 kilometers ahead of the rifle units. They continued their rapid advance to the northwest without looking back or stopping at support points. As the liaison officer of the 13th Army, I had to make two U-2 flights on 19 and 20 April to deliver some documents to the headquarters of General D. D. Lelyushenko's guards tank army. Although radio communications were used to set rendezvous points in advance, I missed him both times because the army had already moved on.

When Marshal I. S. Konev directed tankmen to turn to the north on the night of 18 April, he ordered them to "break into Berlin" on 21 April. Although events then developed at lightning speed, the tank armies could not get to Berlin that quickly. The capture of the entire Berlin group from the southwest became a realistic objective for the command of the First Ukrainian Front on 20 April. At that time the advance detachments of Rybalko's tank armies had reached the Baruth region (18 kilometers from Zossen). Envelopment from the northwest began later, when Bogdanov's Second Tank Army entered the Hennigsdorf region (20 kilometers northwest of Berlin) along with the 47th Army of the First Belorussian Front. On 22 April V. I. Chuykov's Eighth Guards Army and M. Ye. Katukov's First Tank Army broke through Berlin's inner defense perimeter from the east and began fighting in the southeastern outskirts of the city, while the tank armies of the First Ukrainian Front reached Potsdam and cut off the German retreat to the west.

To cut enemy groups off from the Berlin garrison, front commanders put second-echelon armies into the battle. On 24 April these armies linked up with advance units in the Bohnsdorf region (southeast of Berlin) after encircling the Frankfurt-Guben enemy group, which included the main forces of the Wehrmacht's Ninth Army and Fourth Tank Army. On the next day, 25 April, units of the First Ukrainian and First Belorussian fronts linked up in the city of Ketzin (west of Berlin) after encircling the entire Berlin group.

That same day, advance units of the American and Soviet armies linked up in the Torgau region. Germany was cut into two parts.

After the encirclement of Berlin had been accomplished, the Soviet armies enveloping the city advanced to the west and established the outer circle on the Elbe River.

The assault of Berlin was similar to an assault on a medieval fortress, but in this case each block, each building and each cellar was a separate fortress. In an attempt to keep the reich's capital, Hitler's command opened a western front and put all available forces into the battle against the Red Army. The diary of the Wehrmacht Supreme Commander-in-Chief contained the following entry for 26 April: "Our troops on the Elbe had to turn their backs on the Americans to make things easier for the defenders of Berlin with an offensive from outside."<sup>17</sup>

Hitler's command tried to use the following to break through the encirclement: General Steiner's group from the north, Busse's Ninth Army from the southeast and General Wenck's Twelfth Army from the west. In the last days Hitler literally lived on the hope of a successful breakthrough to Berlin by these troops. The success of this operation could have strengthened Berlin's defense or could at least have allowed German Fascist troops to break through to the west and surrender to the English and Americans.

The troops encircled in Berlin were ordered to defend the city to the last man. The failure to carry out this order would sentence their commanders to death.

Soviet assault groups and detachments were formed to surmount the resistance in the city. They suffered heavy losses in their attempt to overcome the fierce resistance, but they selflessly performed their duty. General K. F. Telegin, former member of the Military Council of the First Belorussian Front, recalled: "Imagine the colossal emotional strength and desire for victory it took for these men to push through the lethal tornado of heavy fire, surmount stone and concrete obstacles, avoid numerous 'surprises,' killing grounds and traps and engage in hand-to-hand combat to reach their goal. After all, everyone wants to live, but the Soviet individual had been raised in such a way that the common good, the happiness of his people and the glory of his motherland were far more precious than anything personal, more precious than life itself."<sup>18</sup>

The continuous battles in the city went on without letup from 26 April to 2 May. In the morning of 2 May General G. Beidling, commander of the Berlin defense zone, surrendered to the Soviet command and signed the order for the Berlin garrison to stop resisting and lay down its arms.

The defeat of the enemy's Berlin group and the taking of Berlin were the final act of the armed struggle against Fascist Germany. When Berlin fell, it completely lost its ability to continue organized warfare and it surrendered on all fronts.

On the night of 8 and 9 May 1945 representatives of the German Supreme Command signed German's unconditional surrender in the military engineering academy in Karlshorst (in Berlin's southeastern zone).

The last volleys of the most bloody and most destructive war in human history were heard 40 years ago. The victory of the states of the anti-Hitler coalition was the natural outcome. The price of this victory was measured in colossal sacrifices and deprivations. Each member of the coalition and each army contributed to the victory. The contributions were not equal during different stages and on different fronts of the war.

For the Red Army the final stage of the war in Europe was connected with the Berlin operation, one of the major offensives of the war. The forces on both sides involved in the operation included 3.5 million men, 280 divisions, over 51,000 guns and mortars, 7,800 tanks and self-propelled weapons and 10,800 airplanes. Combat developed simultaneously on 700 kilometers along the front and at a depth of 200 kilometers. During the operation the Red Army defeated

93 German divisions and separate units. Around 480,000 soldiers and officers from Hitler's army were taken prisoner between 16 April and 8 May, and 1,550 tanks, 8,600 guns and 4,510 planes were captured.<sup>19</sup>

Poisoned by false propaganda and frightened by their commanders, the German Fascist troops resisted with desperate obstinacy. The degree of their obstinacy and the brutality of the battle are attested to by casualty statistics. In 1945, 265,000 German soldiers and officers were killed in action.<sup>20</sup> Soviet troops lost 102,000 men in the Berlin operation.<sup>21</sup>

The battle itself and the results of the operation completely refute the lies of those who try to underestimate its significance in the attainment of victory in the last stage of the war.

It must be said that the entire 1945 campaign was distinguished by the maximum coordination of the military efforts of all armies of the anti-Hitler coalition. In particular, the advance planning and accomplishment of the junction of Soviet and American troops on the Elbe at the height of the fight for Berlin greatly undermined the Hitlerite clique's last hope of salvation.

In those days the press in all of the countries of the anti-Hitler coalition commended the heroic feat of the Soviet fighters who raised the victory flag over Berlin's Reichstag. France's COMBAT newspaper reported: "Therefore, the honor of taking Berlin belongs to Soviet arms. Some sincerely applaud this fact while others, although they do not dare admit it, are disappointed: They would have preferred the honor to be bestowed upon the English, American or, last but not least, French army.... The taking of Berlin by the Red Army reminds us all of how much we owe it. And we must never forget this."

The Berlin operation entered history as the crowning victory of the hard but glorious road the Soviet Armed Forces traveled in the Patriotic War.

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ZONE OF PEACE IN THE INDIAN OCEAN: WASHINGTON'S POSITION

Moscow SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA in Russian No 4, Apr 85 (signed to press 25 Mar 85) pp 55-62

[Article by Yu. A. Nikolayev]

[Text] Last December the 39th Session of the UN General Assembly asked the world community to convene an international conference on the Indian Ocean at the beginning of 1986. The aim of the conference is the implementation of a proposal submitted to the United Nations in 1971 by the littoral countries of the region on the declaration of the Indian Ocean a zone of peace.

The declaration on the Indian Ocean as a zone of peace (Resolution 2832/XXVI) was adopted at the same time. The 26th Session of the UN General Assembly that year asked the great powers to begin consultations without delay for the purpose of stopping the continuous buildup of military presence in the zone, dismantling all bases, military installations and depots in the region, preventing the deployment of nuclear weapons and other weapons of mass destruction there and ridding the Indian Ocean of the military presence of great powers "stemming from the rivalry between them."

Practical steps to implement the declaration included the creation of a special UN committee on the Indian Ocean in 1972, which the General Assembly instructed to investigate the problem "with special emphasis on practical measures that might be taken for the purpose of promoting the attainment of the goals of Resolution 2832 (XXVI) of the General Assembly, with the necessary consideration for the security interests of littoral and continental states in the Indian Ocean basin and the interests of all other states."

Acting on the recommendations of the special committee, the 29th Session of the UN General Assembly (1974) mentioned the possibility of convening an international conference on the Indian Ocean in the resolution, which was adopted at the insistence of the nonaligned countries. Fundamental differences in the approaches of the Soviet Union and the Western powers to this important matter were immediately apparent. The United States and some of its allies had a negative reaction to the proposal to convene a conference, regarding it as an obstacle to their own militarist plans for the region.

As for the Soviet Union, it supported the idea. Soviet Foreign Minister A. A. Gromyko announced at the 31st Session of the General Assembly that the

USSR would be able to participate in consultations on matters connected with the preparations for the international conference on the Indian Ocean.

The 32d Session of the General Assembly was of great significance in the discussion of this issue. Its resolution removed the reference to the so-called "rivalry between great powers" as the main source of tension in the Indian Ocean. The Soviet delegation voted for the resolution. The United States and other Western powers abstained.

Soviet-American talks on the limitation and subsequent reduction of military activity in the Indian Ocean began in 1977. Four rounds of talks were held between June 1977 and February 1978, during which time the two sides reached a certain level of agreement on several matters, including the desirability of a sequential approach to the resolution of the problem of military detente in the region; it was assumed that the process would begin with an agreement not to increase military presence there and would then move on to the negotiation of the reduction of this presence. The agreement was outlined, some of its provisions were fully or partially negotiated, and the views of the two sides on some military aspects of the matter were reconciled. One extremely important step was the agreement of the two sides not to send strategic components of their armed forces to the Indian Ocean and not to establish military bases in the region. In general, tangible opportunities for the negotiation of an agreement began to take shape.

In February 1978, however--that is, when the document began to acquire definite outlines--the United States laterally broke off the talks, alleging that the Soviet side had substantially increased its naval forces in the Indian Ocean in connection with the events in the Horn of Africa. Soon afterward, as American spokesmen publicly stated, the situation in the Indian Ocean returned to normal. Nevertheless, the United States continued to avoid the resumption of the talks.

The Soviet-American communique on the summit meeting in Vienna in June 1979 specifically said that representatives of the two countries would meet soon to discuss the resumption of talks on the limitation of military activity in the Indian Ocean. This meeting was held in Washington, and once again the American position was negative.

Revealing the motives for the disruption of the talks by the United States, American political analyst W. Steivers wrote the following in FOREIGN POLICY in 1982: "By summer 1978 the advocates of the hard line had won the fight (to break off the talks--Yu. N.). Subsequent events only consolidated the neoconservative victory: Not only were they able to bury the talks on the limitation of naval activity, but the extraordinary upsurge of U.S. militarist expansionism raised the American military presence in the Indian Ocean to a level never even dreamed of in the years of the so-called 'Vietnam syndrome.'"

In July 1979 a conference of the littoral and continental states of the Indian Ocean basin was held in New York. The Soviet Union participated as an observer. The final document of the conference pointed out the need to stop the buildup of the military presence of non-littoral states in the Indian Ocean, dismantle foreign military bases and prevent the deployment of nuclear weapons there.

The conference recommendations lay at the basis of the decisions of the 34th UN General Assembly Session on the zone of peace in this region. A resolution (34/80/B) was made to convene an international conference on the Indian Ocean in 1981 in Colombo (Sri Lanka). The special UN committee on the Indian Ocean was requested to make all of the necessary arrangements.

This meant that action could be taken on the matter. A fierce political struggle broke out over the decision to convene the conference, and this struggle affected the work of the special UN committee. This was accompanied by the unprecedented concentration of U.S. armed forces in the region, which motivated Ambassador B. Fernando (Sri Lanka), the committee chairman, to make the justifiable comment that "dark clouds are gathering" over the Indian Ocean and over the very idea of a zone of peace when he called the first extended session of the committee to order\* (in February 1982).

In fact, many delegations expressed the fear that the "cold war" which had entered the Indian Ocean along with the American aircraft carriers would not only complicate the implementation of the idea of a zone of peace but could also make this idea one of the first casualties of the war.

The committee had received precise instructions from the 34th Session of the UN General Assembly to begin actual preparations for the international conference, but it was obvious from the very first days of its work that the United States and some of its allies were playing politically unscrupulous games, dragging out the preparations and blocking decisions on even procedural matters with the aim of delaying the conference. Taking advantage of the fact that committee decisions had to be made on the basis of a consensus (common agreement), the United States subverted the UN decisions to convene the conference in 1981, and again in 1983.

The conference of the heads of state and government of the nonaligned countries in New Delhi in March 1983 advocated the quickest possible implementation of the idea of creating a zone of peace in the Indian Ocean and convening an international forum for this purpose. An appeal was issued to all of the great powers and other countries engaged in extensive shipping to participate constructively in this process and to simultaneously begin reducing their military presence in the Indian Ocean. The heads of state and government of the nonaligned countries also advocated the resumption of bilateral U.S.-USSR talks, which were supposed to bring about the reduction and eventual elimination of the military presence of these powers in the Indian Ocean and thereby aid in the implementation of the resolution declaring the Indian Ocean a zone of peace.

With the support of the socialist states, the nonaligned countries regularly contributed to the committee's work by providing it with absolutely precise documents, which now constitute a solid foundation for the implementation of the idea of a zone of peace. For example, they provided it with a document

\* The Soviet Union expressed its willingness to become a member of the special UN committee on the Indian Ocean at the 34th Session. It was followed by the United States, and then by England and France.

on preparations for the conference, the key provisions of which were the following: the drafting of a preliminary agenda; participation and levels of representation; organizational matters and procedural rules; documentation. They drew up a detailed schedule for the discussion of matters connected with the declaration of the Indian Ocean a zone of peace: the geographic boundaries of the zone, foreign military presence, nuclear weapons, security in the region, the peaceful settlement of disputes and the use of the Indian Ocean by foreign ships and planes.

All of these matters should arouse heated political battles. In the matter of geographic boundaries, for example, U.S. representatives are placing emphasis on the so-called "adjacent regions," in which they include vast territories in the USSR. This is a provocative move to undermine all of the work of creating a zone of peace. Furthermore, it is absolutely irrelevant because there can be no discussion of regions "adjacent" to the zone until the boundaries of the zone itself have been defined.

American representatives are inclined toward an equally arbitrary and unilateral interpretation of the foreign military presence in the Indian Ocean (in particular, they have suggested that foreign military bases not be regarded as "presence") and of nuclear weapons (the creation of a zone of peace presupposes the refusal of all countries to deploy nuclear weapons in the zone. The Soviet Union advocates the strict observance of nonproliferation rules in the region and is willing to join other nuclear powers in guaranteeing the non-use of nuclear weapons against the non-nuclear states with no foreign nuclear weapons on their territory).

The issue of security is also a pressing problem. In the opinion of the Soviet Union, it has two aspects in relation to the zone of peace in the Indian Ocean: political-legal and material. The political-legal aspect includes the obligation of non-littoral countries not to use force or threaten the use of force against the sovereignty, independence and territorial integrity of countries in the region. The obligations of these countries in relation to one another must be mutual. Besides this, the security of the zone of peace could be guaranteed by a pledge not to extend the sphere of influence of existing military alliances to the region, not to create new military alliances in the region and not to involve countries in the zone in existing military alliances. As the U.S. representative announced at one of the meetings of the special committee, however, the sphere of influence of the ANZUS pact--the military-political alliance of the United States, Australia and New Zealand--extends to some parts of the Indian Ocean, especially its southeastern portion.

The material aspect includes the dismantling of the military bases of non-littoral countries, the non-deployment of strategic weapons and the reduction of the military presence of non-littoral countries to absolutely safe levels subject to precise definition.

As for the use of the Indian Ocean by foreign ships and planes for peaceful purposes, it has been anticipated that the international conference on the Indian Ocean will confirm the right of all states to make free and unimpeded

use of the ocean for shipping and other peaceful purposes in accordance with international law and customs. The ships and planes of non-littoral countries must not threaten the security of Indian Ocean states or violate the principles of non-aggression, non-intervention and the self-determination of peoples. International legal standards pertaining to the open seas must not be restricted.

The group of nonaligned countries also submitted a document entitled "The Basis for the Agenda of the Projected Conference" to the committee. It contains three points: "1. The discussion of the political situation and the security conditions engendered by the military presence of the great powers in the Indian Ocean; 2. The principles and characteristic features of the Indian Ocean in accordance with the declaration in Resolution 2832 (XXVI) and with the discussion at the conference of littoral and continental states in July 1979; 3. Procedures, means and a program of action for the implementation of the declaration on the zone of peace in the Indian Ocean." This was another important advance in the preparations for the conference.

In addition, there is the document of the GDR and Bulgarian delegations with regard to the conference structure and procedures, proposing that the conference be held in three stages. The first stage (on the political level) would entail the declaration of the basic positions of participants, the discussion of boundaries and the contents of the declaration on the principles of the zone, the submission of drafts and the creation of a working body. During the second stage--on the level of political, military and legal experts--a draft declaration on the principles of the zone of peace would be prepared and edited. During the third stage (on the ministerial level) the declaration would be adopted.

This document received the support of delegations from the nonaligned countries and even some Western countries.

The discussion of the draft procedural rules and agenda of the future conference was essentially completed in 1984. The resolution on the Indian Ocean adopted at the end of 1984 at the 39th Session of the UN General Assembly confirmed the committee mandate recorded in relevant resolutions: It was requested to complete preparations for the conference so that it could be convened at the beginning of 1986. Besides this, the committee chairman was asked to consult the UN secretary general with regard to the appointment of a conference secretariat and secretary general.

When the provisions of the draft resolution were being discussed, the United States categorically opposed the scheduling of an exact date for the conference. Through its "clients," it introduced amendments to the draft of the nonaligned countries with the aim of nullifying all of the committee's constructive work. In particular, it was suggested that all references to documents previously drawn up by the committee and even the slightest mention of the 1971 declaration be deleted.

This nihilistic approach was the logical continuation of the U.S. obstructionist tactics marking the 5 years of American participation in the committee's work.

By the beginning of the 1980's the United States had completed its plans for the strategic assimilation of the Indian Ocean and had allocated over 30 billion dollars for this purpose over a period of 5 years. The plans envisaged the enlargement of the network of military bases in the region to lay a solid material foundation for a permanent U.S. military presence and for actions by the "rapid deployment force" in the event of a "crisis" in any littoral country. Using various excuses, such as the "threat posed by the Iranian revolution to U.S. interests," the "need to defend major shipping lanes" and so forth, the United States had deployed a huge contingent of naval forces in the Indian Ocean by summer 1979. It included two strike aircraft carriers, one amphibious helicopter carrier and two nuclear submarines.

Washington assigned the central place in its plans for the military assimilation of the Indian Ocean to the island of Diego Garcia, which has become an air and naval support base of the United States and a means by which the Pentagon keeps its sights trained on the countries of this region and more distant territories. The base on Diego Garcia has been adapted for strategic components of American armed forces. It has a runway capable of accommodating strategic B-52 and B-1 bombers (if they should be put in service) and the gigantic KC-135 "flying tankers" for the in-flight refueling of planes of the U.S. strategic command, and a deep lagoon with an L-shaped pier for the moorage of an aircraft carrier with escort vessels and nuclear submarines. It also has anchorage for a naval task force. The island has huge fuel and ammunition depots, a large communications center, including guidance and surveillance stations, and silos for the storage of warheads for missiles on nuclear submarines. According to reports in the Western press, chemical weapons are also stored on the island, and plans are being drawn up for the deployment of long-range sea- and air-based cruise missiles on U.S. ships and planes on this base.

All of this was established at the time of the Soviet-American talks on the limitation and subsequent reduction of military activity in the Indian Ocean. It was precisely at that time that the United States allocated 3 billion dollars for the enlargement of this huge base, once again demonstrating its hypocritical negotiating position.

The strategic base on Diego Garcia has become the central link in the chain of American military installations along the entire perimeter of the Indian Ocean. The region has essentially been turned into a frontier for the forward basing of American strategic forces. A unified and widely diversified infrastructure has been established here--a bridgehead for aggression against littoral and continental states, made up of around 30 military bases.

The Pentagon has made a great effort to obtain or enlarge air and naval bases in other Indian Ocean countries, such as Saudi Arabia, Pakistan, Sudan, Bangladesh, Sri Lanka and Djibouti.

The real motives for the militarist U.S. preparations are well known: They are part of the global strategy for the establishment of world dominion. Washington's plans for the Indian Ocean were frankly admitted in a document prepared in 1979 for the U.S. Senate Foreign Relations Committee, "American

Foreign Policy Objectives; Overseas Military Bases." According to this report, the main objective was the "defense of American economic interests in the Persian Gulf zone." The document said that it could be attained by such means as force or threats of force, intervention in the internal affairs of littoral states and, finally, "the achievement of superiority over Soviet armed forces in the event of a crisis." Another strategic objective mentioned in the report was "the deployment, whenever necessary or convenient, of submarines with ballistic missiles aimed at the USSR."

As early as March 1980, ASIAN SURVEY reported that American submarines, in addition to "operating in the Atlantic, Pacific and Mediterranean, using advance bases in Holy Loch (Scotland), Rota (Spain) and Guam (Pacific Ocean) for support, are also operating in the Indian Ocean. Furthermore, they were even doing this at the time of the Soviet-American talks on the limitation and subsequent reduction of military activity in the Indian Ocean, when the sides had agreed not to put strategic components of their armed forces in the Indian Ocean" (submarines and bombers carrying nuclear weapons--Yu. N.).

In the last months of the Carter Administration, and especially after Ronald Reagan entered the White House, the replacement of the "stagnant" U.S. military strategy, with its traditional reliance on NATO as the main instrument of struggle against the Soviet Union and the entire socialist community, with a "more flexible" strategy was the subject of lively discussions in Washington corridors of power. The possibility of using NATO armed forces more extensively outside the alliance's sphere of action was discussed. Soon discussion gave way to the well-known decisions of the bloc's military planning committee, reaffirmed in the communique of 18 May 1984, which spoke of the "position taken by them (the defense ministers of the NATO countries--Yu. N.) in previous communiqus with regard to events which occurred outside the NATO sphere and which could threaten the vital interests of alliance members."

American strategists included the Indian Ocean and Persian Gulf in the NATO sphere of action, and they are now taking much interest in their actual military organization and in the very doctrine of the "peripheral regions."

The excerpts from the secret Pentagon "Defense Guidance" plan, published in the NEW YORK TIMES, unequivocally state: "Regardless of circumstances, we must be ready to commit American troops to action directly in this region whenever it appears that safe access to Persian Gulf oil has been threatened." To make certain that everyone understood this statement, the NEW YORK TIMES explained it: "This means the deployment of armed forces before the Russians take steps against the region."

But who will decide when this "before" has arrived? This is no longer a matter of rapid deployment in a time of crisis, but of the deployment of American Army units in the region on a permanent basis. Washington has not made any special effort to keep this intention secret. "We will maintain our permanent naval presence in the Indian Ocean in the foreseeable future," declared Admiral Long, commander of U.S. armed forces in the Pacific and Indian oceans until 1983.

Under the Reagan Administration there has been a definite shift toward a naval buildup in American strategy, and plans have been made to increase the number of warships by a third. Here we should recall Reagan's remark that he has always had a soft spot in his heart for the Navy: "600 ships for the American Navy!"

In the traditional races between the Army and Navy for budget allocations, the latter has taken the lead. Secretary of the Navy J. Lehman was able to obtain 100 billion dollars to build up the Navy. After he had done this, he stated, according to NEWSWEEK magazine, with obvious pleasure: "As a matter of fact, the process cannot be stopped now, and we must have that fleet of 600 ships." Lehman ordered 10-20 destroyers at a billion dollars each and 3 additional carrier task forces in the next 2 or 3 years.

Whereas 17 American warships were simultaneously located in the Indian Ocean in 1979, in 1980 the number had already risen to 42 and strategic aviation appeared there for the first time. In 1982, Tomahawk cruise missiles and Harpoon antisubmarine missiles were deployed on ships cruising the ocean. There are now 14 ships carrying heavy ammunition near Diego Garcia instead of the previous 7, and on 1 January 1983 the notorious CENTCOM ("Central U.S. Armed Forces Command") was created in the region as a "New Year's gift" to oversee the military operations of the rapid deployment force, the main link of which was sent directly to the Indian Ocean on the staff ship "La Salle."

To whitewash the Pentagon's aggressive military preparations, its experts in misinformation are vigorously spreading the rumor that the Soviet Union has recently built up its "already impressive naval presence in the Indian Ocean." In fact, the Soviet military presence has remained the same there for several years. Soviet ships are not designed for operations against the shore and perform a limited number of defensive functions. There are no Soviet strategic forces there either.

The Soviet Union, as mentioned above, supports the proposal to create a zone of peace in the Indian Ocean. At a meeting on 1 March 1984, the CPSU Central Committee Politburo reconsidered matters connected with the situation in the Indian Ocean, where politico-military tension has been escalated by the militarist behavior of the United States and some of its NATO allies. The Soviet Union reaffirmed its support for the proposals of nonaligned states that the Indian Ocean be turned into a zone of peace and that an international conference be convened as soon as possible for this purpose under UN auspices.

The security of shipping can be guaranteed only by political means, with the aid of negotiations. Proceeding from this assumption, the Soviet Union has repeatedly expressed its willingness to negotiate the relaxation of tension in seas and oceans.

Specific steps in this direction were suggested in Soviet Foreign Minister A. A. Gromyko's response of April 1984 to the UN secretary general's request for the reduction of naval activity and naval arms. It proposed certain immediate steps, such as the negotiation of the non-escalation of naval activity by states in zones of conflict or tension. The negotiation and

implementation of confidence-building measures to prevent conflicts and strengthen the security of shipping could be of great political significance.

Speaking at the 39th Session of the UN General Assembly, A. A. Gromyko said: "There have been inexcusable delays in the preparations for the international conference on the Indian Ocean. The United States and some of its allies do not want to consider the wishes of littoral countries advocating peaceful waters in the Indian Ocean and a clear sky above it. The Soviet Union still actively supports the creation of a zone of peace in this region, which would represent an important stage in the struggle against the militarization of the world ocean."

The struggle to convene an international conference on the Indian Ocean and to create a zone of peace in the region is still going on. In 1985 the special UN committee is supposed to complete its preparations so that the conference can be convened at the beginning of next year in accordance with the UN resolution.

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CANADA IN THE 'NORTH-SOUTH DIALOGUE'

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[Article by N. V. Vasyukova]

[Text] The first session of the 33d Canadian Parliament began in early November 1984. The royal speech presented by Governor General J. Sauve outlined the program of the new Canadian cabinet of ministers--the Progressive Conservative Party government headed by B. Mulroney, which began governing the country last fall after almost 16 years of Liberal government. In addition to discussing other issues, the speech made special mention of the Canadian leadership's intention to continue the tradition of "constructive Canadian internationalism," the observance of which, in Sauve's words, has allowed Canada to help in keeping the peace, promote disarmament and the political resolution of conflicts and contribute to the improvement of world economic conditions and international development. In connection with this, he underscored the Conservatives' wish to eliminate "barriers to trade, commercial activity and capital investments on the global level" and their "willingness to participate fully in the new multilateral efforts to eliminate these obstacles" and acknowledged the need for continued active participation by Canada in the resolution of problems in developing countries.

When the developing countries put forth the program for the new international economic order (NIEO) in the 1970's, they initiated the so-called "North-South dialogue"--that is, talks with developed capitalist states with the aim of more democratic trade and monetary relations and scientific, technical and other contacts between the "center" and the "periphery" of the world capitalist economy.

Canada's participation in this "dialogue" was distinguished by attempts to contribute to the planning and implementation of a coordinated imperialist strategy in relations with emerging nations. Canada's political leaders believed that the intensification and exacerbation of conflicts with Asian, African and Latin American states could be avoided by active involvement in the "North-South dialogue" and that petty concessions to these states could attach them more firmly to the capitalist economic system.

Using statements about Canada's "special and unique role" in Western strategy in the developing world and about adherence to the principles of social

justice and moral commitments to the people of underdeveloped countries in their propaganda, Canadian politicians made increasingly frequent references to the interdependence of nations and the intersupplementary economies of the industrially developed and developing states. Addressing the Canadian Institute of International Relations in May 1983, former Canadian Prime Minister P. Trudeau specifically stressed that "the restoration of the export capabilities of industrial powers (at the time of the economic recession of the early 1980's--N. V.) depends largely on the Third World, just as the growth of the latter is connected with its penetration of Western markets. The problems of foreign debts (of the developing countries--N. V.) are threatening the stability of the international financial system and, therefore, the stability of the industrially developed world.... For this reason, it would be a colossal historical error for the Western powers to ignore the appeals of developing states for new ways of attaining the common goal of economic revival."

In the opinion of Trudeau and other government officials close to him, the developing regions had become a seat of economic instability and sociopolitical upheavals that were weakening the capitalist system through the network of global interdependence. The Western powers, in the opinion of those in Ottawa, should not ignore the development problems of young states or make the resolution of their own economic problems a preliminary condition of participation in the "North-South dialogue." On the contrary, the current socioeconomic crisis in the developing world demanded, according to Canadian ruling circles, management by industrially developed capitalist countries, and by peaceful means rather than force--by means of political, economic and ideological influence--for the purpose of keeping the young states within the capitalist orbit.

Canada's position in the "North-South dialogue" was based on these premises. One of its characteristic features was the attempt to pursue a more balanced policy, aspiring to the role of an "effective connecting link" or something like a political mediator between the Western countries and the young states.

Canada was already trying to play the role of some kind of "bridge-builder" in the reconstruction of the world economic order in the middle of the 1970's by co-chairing, along with Venezuela, the first round of the "North-South dialogue"--the Conference on International Economic Cooperation in Paris from December 1975 to the end of June 1977. This conference, however, produced no perceptible results because the demands of developing countries encountered a solid wall of obstruction by the imperialist powers, camouflaged by a flood of lofty phrases and assurances of their desire for "dialogue" and "cooperation."

The mediating motives of Canadian policy were also reflected at the International Conference on Cooperation and Development--a special conference of the heads of government of several of the largest capitalist and developing countries in October 1981 in Cancun (Mexico), co-chaired by P. Trudeau and Mexican President L. Portillo. Once again, however, the conference did not result in a single specific decision capable of alleviating the situation in the developing world. According to the Canadian mass media, the conference

demonstrated only the semblance of a Western desire for the development of "cooperation between North and South." In an official statement, the Canadian Government ascertained that what had been accomplished in Cancun was only a show of support for the continuation of negotiations for the purpose of finding ways of conducting them on the global level.

Issues in "North-South" relations are also discussed at the annual meetings of the seven leading capitalist states, including Canada, where attempts are made to define the economic, foreign policy and military strategy of imperialism as a whole. Participants in these meetings acknowledge the unsatisfactory state of the developing economies but have confined themselves to the assertion that the economic growth of the latter and the development of constructive relations with them are vitally important for the economic and political well-being of the world. In fact, however, the West has invariably revealed its reluctance to make any practical moves. In particular, at the meeting in Williamsburg in May 1983, the leaders of the "big seven" did not say a word about the persistent demands of developing countries for the immediate commencement of UN discussions of the most urgent world economic problems. The final economic declaration contained only abstract statements about "more open markets and global economic recovery." The improvement of economic conditions in the developing countries was related directly to the efforts to surmount the crisis in leading industrial powers. At the London conference in June 1984, the leaders of the "big seven" again remained deaf to the appeals of emerging countries for measures to improve the conditions of trade and alleviate the debt burden of the latter.

For a long time Canada has tried to act as a mediator between the "Group of 77" and the conservative bloc of Western countries, headed by the United States, in the negotiation of a mutually acceptable platform for the projected talks (the agenda, procedural rules, etc.). The fact that these talks have still not begun indicates the futility of Canada's mediating efforts in this sphere of the "North-South dialogue" as well.

Therefore, when we describe Canada's position in the "dialogue," we can speak, first of all, of its own attitude toward the demands the developing countries put forth in the NIEO program and, secondly, of its ability to pursue a relatively independent policy within the framework of the common Western line. Its own policy on the economic demands of the developing countries has been, at least until recently, a liberal-reformist line aimed at the reorganization of the international economic relations of capitalism by means of partial reforms, which will allow the West to retain control over the evolution of emerging states.

When Canadian ruling circles advised the political leadership of the largest imperialist states to agree to the "acceptable redistribution of world wealth" in order to neutralize the tense anti-Western atmosphere in the former colonies, they insisted on definite changes in the world economic system by means of reforms for the prevention of the "revolutionary" destruction of existing mechanisms and institutions. They suggested that concessions be made to developing countries in the form of more extensive technology transfer, the institution of a TNC "code of behavior" and some changes in the principles and

machinery of decisionmaking in international economic organizations in accordance with the augmented role of these countries. Canada favored an increase in bilateral and multilateral aid to young states. The Canadian leadership announced that appropriations for development purposes would be increased to 0.5 percent of the GNP in the middle of the 1980's and to 0.7 percent by the end of the decade. The reduction of aid to developing states on a bilateral basis and through international financial organizations by the United States and some other Western powers in the 1980's was described by Canadian officials as a "nearsighted economy measure," which could only increase poverty and friction in the "Third World." Conversely, broader foreign financing, especially by means of preferential aid, would, in their opinion, have a stabilizing effect and could turn the developing countries into "reliable trade partners" and "stauch allies" of the West. Otherwise, "changes in the world economic order will take place, whether President Ronald Reagan wants them to or not," P. Trudeau warned. The differences in the Canadian and U.S. approaches to the "North-South dialogue" became particularly apparent in the 1980's, when Washington took a belligerent, intransigent position with regard to the NIEO and blocked every attempt to resume the "dialogue."

In connection with this, we naturally wonder how effectively Canada can play a mediating role while acting in its own interests and in the interests of the West as a whole. The Canadian Liberals do not have much of a service record in this area. They generally did not go beyond organizational efforts and rhetorical criticism of the "hard line." And now the intensely conservative approach of government and financial circles in the largest imperialist powers--the creditors of "development aid" programs (especially the United States, FRG and England)--to the demands of newly liberated countries has almost drowned out the voice of the liberal bloc (the Scandinavian countries and Canada).

Obviously, it is not easy for Canada to pursue a line conflicting with the policy of its southern neighbor and other imperialist giants. The definitely limited nature of this line also diminishes its strength: When the Canadian ruling class advises the West to make partial concessions, this does not mean that it is prepared to fully support the demands of developing countries, which have the actual aim of eradicating neocolonial, dependent relations in the world capitalist economy. Describing Canada's performance in the "promotion of international development" as duplicity, CANADA AND WORLD magazine justifiably remarked: "If Canada goes too far too soon in the implementation of the ideas of the NIEO, it will take the risk of losing the trust of the large industrial powers. If it refrains from acting on the demands of Third World countries, they might call it a 'fat cat.' As a result, Canada has been hesitant in making a choice...and it resembles an observer more than a bridge-builder."

This statement of the late 1970's is probably still accurate. The Mulroney government has confined itself to general statements about the problem of reorganizing international economic relations. It has, however, upheld the commitment of its predecessors to increased bilateral economic aid to developing countries. Apparently, the new Canadian Government is still working out its position on this major international issue. Time will tell whether Canada will be able to play a positive role in its resolution.

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#### U.S. BOOK ON NUCLEAR BALANCE IN EUROPE CRITIQUED

Moscow SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA in Russian No 4, Apr 85 (signed to press 25 Mar 85) pp 101-102

[Review by K. E. Sorokin of book "The Nuclear 'Balance' in Europe: Status, Trends, Implications" by Donald R. Cotter, James H. Hansen and Kirk McConnel, Wash., United States Strategic Institute, 1983, IX + 48 pages]

[Text] The scales of the opposition in Western Europe and even in the United States to the American plans for the deployment of medium-range missiles in Europe were largely unanticipated by Washington officials. When the American administration was trying to convince its allies of the need for nuclear "upgrading," it resorted to various methods of exerting pressure on them, particularly through the U.S. scientific community.

This brochure, in whose publication the CIA had a hand (p VI), contains the complete set of "arguments" that should, in the opinion of American ruling circles, influence public opinion in Western Europe (and in the United States) and encourage public support of Washington's policy.

The authors of the work set themselves the impossible task of proving that the nuclear arms race in Europe was started by the USSR, and not by the United States, although it is no secret that the United States permanently deployed B-29 bombers in Great Britain and West Germany as far back as July 1948 and that these were then the only carriers of U.S. strategic nuclear weapons. This occurred a year before the Soviet Union even had an atomic weapon of its own. In all subsequent stages of the nuclear arms race in Europe, the United States invariably initiated each new round of the race.

In their attempts to prove the unprovable, the authors, who are all connected to the United States Strategic Institute (under whose auspices the brochure was published), make every effort to avoid the discussion of facts well known in Western Europe: NATO's two-to-one numerical advantage in nuclear weapons in Europe and the main targets of the decision to deploy the American medium-range missiles, representing first-strike weapons, in Europe; the role of U.S. forward-based systems, giving NATO unilateral advantages in Europe. At the same time, the authors have to admit that all of these facts are increasing friction between the United States and its West European allies, which are expressing worries about the future military efforts of NATO countries and about transatlantic relations in general (p VII).

The authors note that an objective picture of the military balance in Europe requires an examination of Soviet and U.S. nuclear arsenals in this region in relation to their military doctrines, but they use this reasonable premise to misrepresent the actual state of affairs. Their approach essentially consists in an attempt to justify U.S. and NATO efforts to secure nuclear superiority by references to the mythical "Soviet superiority" in conventional weapons, the quantities of which are allegedly in excess of "defense needs" (pp 4-5, 28). This is the same thesis which was invented by NATO in the 1940's and 1950's and which has been refuted repeatedly by objective military experts, including Westerners. It is a well-known fact that the conventional armed forces and arms of NATO and the Warsaw Pact are approximately equal.

As for the medium-range nuclear systems themselves, the authors try to justify the buildup in every way possible and never mention the dual purpose of the medium-range missiles deployed in Europe: They can be used to start a "limited nuclear war" in Europe and they can also be used to deliver a pre-emptive strike against the Soviet Union. The nature of "modernization" is described in the vaguest terms, and the authors merely say that this kind of "modernization" will give the alliance a "land-based missile system in Western Europe, capable of destroying targets far within the territory of Warsaw Pact countries, including the western military districts of the USSR," in accordance with the general priority target system worked out in the middle of the 1970's (pp 17, 27).

In their analysis of the nuclear balance in Europe, the authors concentrate on the balance of land-based missiles from tactical to medium-range. They commit two methodological errors. First of all, they equate tactical and operational-tactical weapons with medium-range weapons; this is supposed to conceal the fact that the latter have the properties of strategic weapons. Secondly, they place too much emphasis on one system of weapons. This approach is also supposed to underestimate the U.S. and NATO advantage in terms of various weapon systems. The same purpose is served by the omission of important elements of the balance. In particular, the authors do not take French and English nuclear forces into account. They portray the legitimate Soviet demand to take them into account as an attempt to impose restrictions on Anglo-French forces. The balance of the Warsaw Pact, on the other hand, includes all Soviet missiles, even those in the eastern regions of the USSR. The result is a flagrantly distorted assessment of the balance of power in Europe.

This falsification is being used for a specific political aim--the encouragement of Washington to go beyond its officially announced plans for the deployment of medium-range missiles. "The modernization," the authors assert, is too "moderate" (p 15).

The authors of the brochure waste a great deal of energy on publicizing Washington's line at the talks in the beginning of the 1980's. For example, they are lavish in their praise of Reagan's notorious "zero option," with the aid of which Washington hoped to accomplish the unilateral disarmament of the USSR. In connection with this, we should recall that even then Secretary of

State A. Haig called the "zero option" a ridiculous idea. Washington needed missiles in Europe and it invented the "zero option" for propaganda purposes and for the purpose of blocking talks.

The brochure prepared in the United States Strategic Institute is a vivid example of the dishonest approach to the assessment of the balance of power in Europe. For example, the FB-111 bomber, designed for the European theater of military operations, is not even taken into account. The number of F-4 fighter bombers and sea-based A-6 and A-7 attack planes is substantially understated. The list of such examples from the brochure could go on.

The final aim of all of these clever ruses is support for the buildup of U.S. nuclear potential throughout Europe: an increase in the number of medium-range missiles, the deployment of hundreds of new and improved nuclear bombs for fighter bombers and of longer-range neutron munitions, etc.

The statements and assumptions of the Strategic Institute researchers clearly reflect the position of the members of American politico-military groups who are promoting new militarization programs and the intensive buildup of nuclear arsenals in general and arsenals in Europe in particular. These groups are providing the propaganda support for forces stimulating each new round of the arms race.

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BOGDANOV REVIEWS YAKOVLEV BOOK ON U.S. FOREIGN POLICY

Moscow SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA in Russian No 4, Apr 85 (signed to press 25 Mar 85) pp 105-106

[Review by R. G. Bogdanov of book "Ot Trumena do Reygana. Doktrina i real'nosti yadernogo veka" [From Truman to Reagan. Doctrine and Realities of the Nuclear Age] by A. N. Yakovlev, Moscow, Molodaya gvardiya, 1984, 399 pages]

[Text] The dramatic escalation of international tension through the fault of the U.S. Republican administration, which became particularly apparent at the beginning of the 1980's, the unprecedented arms race and the resulting threat of nuclear catastrophe hanging over mankind are alarming the common man and the member of the academic community throughout the world. Many researchers have analyzed the origins and implications of the imperious ambitions of U.S. ruling circles striving for world hegemony. Soviet specialists are also engaged in this kind of research. The new monograph by renowned historian and journalist A. N. Yakovlev indisputably occupies a prominent place among recent Soviet studies of this subject matter. It is something like an encyclopaedia, in which the military programs and plans of American imperialism and the machinery of their political and ideological support are analyzed on the basis of extensive documented information.

The reader is presented with a vivid gallery of political portraits of Truman, Johnson, Nixon, Carter, Reagan and the ideologists who drafted the political and ideological platforms of postwar American administrations. The reader gains access to an in-depth study, allowing him to comprehend the not so distant past and, on this basis, understand the present in all of its complexity and diversity. This is one of the chief merits of the work: On the basis of scrupulously documented historical facts, it illuminates the present image of America, now that it is wildly chasing the specter of world domination.

The author cogently demonstrates that the new weapon of mass destruction, which announced its birth to the world only 90 days after V-E day on 9 May by destroying the civilian population of Hiroshima and Nagasaki, was viewed by the Truman administration as "an excellent opportunity to 'dictate' American terms at the end of the war." The main thing for U.S. ruling circles was the certainty that the "possession of the bomb and the demonstration

of its strength would make Russia more tractable in Europe." On the strength of this certainty, by 1946 the United States had already approved the production of tactical atomic weapons and thermonuclear bombs and adopted a strategy in which "the delivery of a first strike against Soviet nuclear potential was considered to be the main objective in the event of war" (p 15).

Pathological anti-Sovietism gave birth to the plans for the nuclear destruction of the Soviet Union. Plans of this kind, which the author justifiably calls "loathesome," unfortunately cannot be categorized as past history. The present machinery for the planning of nuclear war against the USSR and the sinister contents of various presidential directives and memoranda are described in detail in this work.

The American administrations of the past 40 years, regardless of whether they represented the Democratic or the Republican party, and regardless of who occupied the Oval Office--Truman, Kennedy, Nixon or Reagan--spearheaded their doctrines against our country, viewing it as the main obstacle barring the way to their "heroic dreams." In essence, this was contrary to common sense and to U.S. national interests, and this became particularly obvious after the start of the era of nuclear parity.

In this book, A. N. Yakovlev explains how fears are engendered, chauvinism is cultivated, militarist excesses are justified, American minds are purged of information considered "unnecessary" by the ruling class, and an atmosphere of pre-war hysteria is created. The molding of public opinion, the author writes, makes a large part of the population a blind tool of forces pursuing their own selfish goals. This is what makes the following conclusion extremely pertinent: "This country is ruled more by deceit and demagogery than by conviction, more by force than by law, more by numbing habits and traditions than by a respect for the new and an interest in it, more by hatred, suspicion and intolerance than by the ability to acknowledge the possibility of a different way of life. Stereotypes and myths are preferable here to objective information and knowledge" (p 34).

A. N. Yakovlev's study contains interesting theoretical generalizations in addition to a description of processes occurring in U.S. domestic politics and their effect on American foreign policy. The author's views on the essence of the U.S. military-industrial complex and its "active independent role as a catalyst of militarist processes and the mainspring of American military adventures" are particularly interesting in this context (p 127). The researcher is distinguished by a broad and complete overview of this complex subject.

It is precisely this approach that leads to the conclusion that "the activities of the military-industrial complex are having a disuniting effect in the country in general and even in its ruling class" (p 129). The author thoroughly criticizes the idea of "national interests," which lies at the basis of militarism and military propaganda. Yakovlev understandably singles it out from all of the other elements of the vast spectrum of doctrines and theories invented by American political scientists and apologists for the aggressive policy of the ruling elite. "The doctrine of 'national interests,'"

the author summarizes, "is a paradigm of the aggressive ambitions of American imperialism and its obsession with world domination" (p 194).

The entire work is distinguished by high scientific standards and the consistent adherence to principle. The concluding chapters deserve special mention. They are thematically united by a single line of reasoning and are extremely informative. On the strength of his impressive erudition, the author thoroughly and cogently demonstrates the vicious nature of bourgeois political science, which has "accepted the unscrupulous mission of the ideological substantiation of U.S. imperialism's neocolonial policy" (p 272) and also exposes the flaws of the fanciful theory, "in accordance with which a 'resolute people,' after winning a nuclear war and rising from the radioactive ashes, can survive and even triumph over the rest of the smoldering world" (pp 302-303). The author has clearly discerned another extremely important tendency: In an increasing number of publications, the Republican administration's performance within the country and on the international scene is being given an extremely negative rating. "The current 'rebirth' of criticism in bourgeois political science is connected with the serious worries of much of the ruling class about the future of the United States" (p 388).

It was precisely the pressure of public opinion within the country and the serious worries of U.S. allies about the dangerous confrontation policy of the current administration that forced it to abandon its belligerent rhetoric and agree to the USSR's proposals regarding the resumption of efforts to curb the arms race. The author makes the optimistic statement that the Soviet Union "will continue to adhere firmly to the policy of peace and will do everything within its power to stop mankind from sliding into the nuclear abyss" (p 399).

This study by A. N. Yakovlev is distinguished by journalistic skill combined with scientific and investigative thoroughness. The book will be of great interest to a broad range of readers.

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BOOK ON U.S.-W. EUROPEAN COMPETITION IN ARMS EXPORTS REVIEWED

Moscow SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA in Russian No 4, Apr 85 (signed to press 25 Mar 85) pp 109-110

[Review by Yu. V. Katasonov of book "SShA i Zapadnaya Evropa: torgovlya oruzhiyem (mezhdunarodno-politicheskiy aspekt)" [The United States and Western Europe: The Arms Trade (International Political Implications)] by A. I. Utkin, Moscow, Nauka, 1984, 182 pages]

[Text] This book by A. I. Utkin is a scientific study containing a thorough historical analysis of the international capitalist arms trade, a militarist phenomenon of unprecedented dimensions at the present time. The author examines the origins of this phenomenon, its evolution and its tendencies and reveals the content and forms of the current trade in the weapons of the United States and the main West European countries--France, the FRG, England and Italy. He describes the regional patterns of arms exports and their structure in detail and discusses the political, economic and military-strategic significance and implications of the arms trade for exporters and for clients, especially developing countries. All of these matters are examined primarily from the standpoint of the main research topic--the conflicting interests of American and West European imperialist groups in this sphere.

The author notes that the international arms trade became a new major sphere of inter-imperialist conflicts in the last 10-15 years. The tendency toward changes in the relative positions of the United States and Western Europe in the latter's favor is quite apparent in this sphere.

The author also describes the specific forms of inter-imperialist conflicts in the arms trade. They are connected with the definite difficulties in the coordination of the political, technical-production and organizational aspects of the arms exports of West European countries, which objectively represents an essential condition for the effective counteraction of the U.S. domination of the arms market. Competition in this sphere is influenced greatly by politico-military factors, especially the United States' dominant position in NATO. Nevertheless, the tendency toward the military-economic integration of West European countries, including integration in the production and export of weapons, almost automatically signifies the erosion of the current foundations of the NATO politico-military system in which the United States is now the undisputed leader.

The policy of the two imperialist centers in the world arms market reflects some effort to alleviate the strain of their competition by transferring most of the burden of the arms race and militarization to the developing countries. This prospect, however, will naturally give rise to new problems for imperialist states and exacerbate their conflicts with young states.

The analysis of the specific features of the arms export policy of the two latest U.S. administrations of J. Carter and R. Reagan is of indisputable interest. Whereas the first of these tried to at least verbalize the need to restrict shipments of American weapons to other countries in connection with the danger of the proliferation of the latest armaments throughout the world, the Reagan Administration has made maximum use of broader arms exports as one of the main instruments of its rigid and militarized foreign policy line. The policy of both administrations, however, was adapted to the conditions of the increasing competition in the capitalist arms market.

The book clearly attests to the author's erudition, his comprehensive view of his topic, his attention to the historical background of his topic, the originality of his assessments, his understanding of the present era and his political acumen. It is also noteworthy that the author based his research on new materials, including documents previously unutilized in Soviet literature.

This work by A. I. Utkin is a pertinent, serious and competent study of an important topic.

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RICHARD LUGAR--CHAIRMAN OF THE U.S. SENATE FOREIGN RELATIONS COMMITTEE

Moscow SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA in Russian No 4, Apr 85 (signed to press 25 Mar 85) pp 111-112

[Article by Yu. K. Abramov]

[Text] Senator C. Percy's 1984 election defeat left the position of chairman of the Senate Foreign Relations Committee vacant (he had occupied this position since 1981). According to the rules, the position should then have gone to the senior Republican member of the committee, J. Helms, but he declined, stating his wish to remain chairman of the Senate Committee on Agriculture, Nutrition, and Forestry. The next highest ranking Republican member of the Foreign Relations Committee was Senator R. Lugar from Indiana. He ran for Republican majority leader in the Senate but lost this race to R. Dole\* and became the chairman of the Foreign Relations Committee, one of the key committees in the congressional hierarchy.

Richard Lugar was born in Indianapolis, the capital of Indiana, in 1932. He attended Denison University in Granville (Ohio) and Oxford University's Pembroke College in England; in 1957 he entered naval officers' school and then served in the intelligence section of the staff of Admiral A. Burke, chief of naval operations.

When he returned to his native state in 1960, he went to work in the family business, consisting of a grain and livestock farm and a small plant manufacturing equipment for the food industry. In 1964 he was elected to the Indianapolis school board and was then the vice chairman of the board for 2 years. This was the first step in his political career. In 1967 Lugar ran for mayor of the city and won the election largely on the strength of conservative support. He served as mayor until 1976. During these 8 years he instituted a number of reforms, particularly the enlargement of the city's area from 82 to 388 square miles through the inclusion of suburbs, as a result of which the population increased from 520,000 to 750,000; this made Indianapolis the 12th largest city in the United States.

Lugar owed the growth of his political influence in the late 1960's and early 1970's to the patronage of R. Nixon, for whom the young politician had been campaigning actively since 1968. At that time Lugar was almost the only Republican mayor of a big U.S. city (liberal J. Lindsay in New York did not count because he opposed the Republican administration's policies);

\* For a report on Dole, see No 3 for 1985--Editor's note.

Indianapolis became a testing ground for experiments with the Nixon administration's program of "new federalism."

After Lugar was elected a delegate to the Republican Party convention in 1968, he became a member of the platform committee with Nixon's support. After Nixon won the election, he made Lugar a member of the Advisory Commission on Intergovernmental Relations. At the Republican Party convention in 1972, Lugar made one of the three keynote speeches in support of R. Nixon. When there was a vacancy in the vice presidency of the National League of Cities, an association of American mayors, Lugar beat J. Lindsay in the race with the aid of his administration patrons, and he then became the president of this organization soon afterward. Under his leadership, the league began to support Nixon, and Lugar's own close connections with the administration made him known as the "President's favorite mayor."

In February 1974 he ran for the Indiana Senate seat, but he lost the election even though he made every effort during his campaign to dissociate himself from Nixon, who had already suffered his downfall. Lugar ran for the Senate again in 1976 and won.

In the Senate he immediately became a member of influential committees--the Foreign Relations Committee, the Committee on Agriculture, Nutrition, and Forestry, the Committee on Banking, Housing and Urban Affairs and the Select Committee on Intelligence. An analysis of his position in Senate votes indicates staunch conservatism. In particular, he has always voted for higher military allocations, opposed the payment of reparations to Vietnam, Laos and Cambodia and favored the neutron bomb. Under the Carter Administration Lugar was one of the most persistent critics of the SALT II treaty and opposed the Panama Canal treaties. Liberal organizations approve of his voting position in only 10-12 percent of all cases, whereas conservative organizations give him a rating of almost 80 percent.

Lugar has supported the Republican administration's efforts to increase military appropriations and its hard line in relations with the Soviet Union and other socialist countries.

On the other hand, Lugar has already alarmed some of the most reactionary members of Congress by announcing his intention to conduct "maximally objective hearings" on all of the main aspects of foreign policy, and most of these hearings are to be open to observers "from all spheres of politics," including journalists. Lugar's decision aroused displeasure in the Congress and the White House because of the chance that these hearings might reveal certain facts not intended for general public knowledge.

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## SOFTWARE FOR MILITARY COMPUTERS

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[Article by V. V. Lipayev and A. I. Potapov]

[Text] The use of military computers is an important part of the unprecedented arms race started by the U.S. administration. Virtually each separate weapon and piece of military equipment, including some individual protective means, is to be equipped with computer elements--from microprocessors to computers with various performance levels. The U.S. Defense Department acquired a total of 16,500 computers of various types in 1980 for the Army, Navy and Air Force. By 1990 annual supplies of military computers should increase to 278,000, an increase of almost 17-fold.<sup>1</sup>

The increase in the number of computerized weapons can be judged from the example of fighter bombers. In the 1960's there were two computers on the F-111 plane, but there are ten on the latest F-18. This has been accompanied by the rapid growth of computer memory banks for combat data and programs. The F-111 stored only 30,000 words, but the F-18 stores over 500,000.<sup>2</sup> The need for software for space systems has increased dramatically. The Mercury project required a million programmed instructions, but the Shuttle project required up to 40 million. Most of the Shuttle programming equipment is designed for the automation of launch control and service operations. This equipment can replace around 20,000 people.<sup>3</sup> According to American experts, one of the reasons for the military establishment's heightened interest in programmed equipment is that program changes are much easier and cheaper than the staff changes dictated by the changing functional requirements of a system.

The extensive use of computers was made possible by the substantial reduction of their cost, weight and dimensions as a result of better technology for the development and production of microcomputers and microprocessors. At the same time, the increase in their number has given rise to the need for major organizational, technological and methodological undertakings on the part of the Pentagon and several firms to increase the volume and improve the quality of software. According to experts, "computers without software are empty brains." Considerable effort is being made to improve programming so that these "brains" can be filled and trained. In 1980 computer users spent a total of 55.4 billion dollars on this equipment, including 40.2 billion on software.<sup>4</sup>

In spite of this, the situation with regard to software in the United States has been judged critical by American experts in the last few years. The quantity and quality of programs cannot keep up with demand. Expenditures on programs constitute most (up to 80 percent) of the cost of computer systems. Current programming languages and methods are not securing the necessary operational efficiency. The shortage of skilled experts in this field is growing more acute. The lag in program production, limiting the possibilities for the use of computers, is growing more pronounced: The annual increase in computer output in the United States (in terms of cost) is 23-24 percent, but the increase in software output is only 12-14 percent.<sup>5</sup>

Experts on information systems are calling the 1980's the software decade because the lag in this sphere has begun to inhibit the production of civilian manufactured goods and weapons.

The reasons for the lag, according to American and West European experts, are the relative complexity of software production in comparison to the production of the computers themselves, and the inadequate organizational efforts and capital investments in programming technology prior to the end of the 1970's.<sup>6</sup>

High-level officials are energetically seeking ways of surmounting the crisis in this sphere. They include the chairman of the House Committee on Government Operations and the assistant secretary of defense for research and engineering, as well as executives of firms producing computers and software for armaments. A scientific council of the Department of Defense, with prominent representatives of industry and science among its members, compiled a list of the 17 most important military technology allegedly capable of "substantially heightening the combat capabilities of future generations of weapons for the American Army."<sup>7</sup> Programming technology ranked third on the list (after the superspeed integrated circuit and the "Stealth" bomber), while the superpower computer ranked eighth.

One of the Pentagon's most important recent efforts to surmount the crisis in software production is the choice of the "Ada" high-level programming language as the only standard future language for all built-in military computers and the commencement of its experimental use. According to U.S. experts, the use of this language should save around 2 billion dollars by 1990, which should compensate somewhat for the growing shortage of programmers. The STARS<sup>8</sup> project has been instituted for the introduction of this language and the development of technological systems of programming automation. The main purpose of the project is the development of automated programming instruments for real-time computers installed in weapon systems. Military computers are being standardized. These costly undertakings will, in the opinion of American experts, considerably reduce future expenditures on software and computer engineering and maintenance.<sup>9</sup>

#### Financial Expenditures

Foreign military experts divide all of the software produced in the United States into three main categories.<sup>10</sup> The first category is software for specific engineering and research functions. These programs are distinguished

by the minimal use of computer resources, a relatively short life cycle, little documentation and virtually no circulation. Expenditures on programs in this category are difficult to record and they are generally not included in calculations.

The second category consists of complex sets of programs for reference data systems and systems for automated organizational data processing, functioning outside real time (mainly central networks and administrative systems). These programs, which are not intended for the full use of computer resources, have a substantial recording capacity and can be circulated and transmitted to consumers as a finished product. They are constantly updated and developed during the operational process. The programs are developed by large teams of experts.

The third category consists of complete programs for computers built into the control system and functioning in real time (software for real-time systems). They are distinguished by the virtually complete use of computer resources in terms of memory and performance, are equipped with detailed documentation and are operated and gradually updated over a period of many years or even decades. The software used in military systems is mainly of the third category.<sup>11</sup>

The tendency toward the steady increase in expenditures on computer equipment, especially software, has become characteristic of the Pentagon. These expenditures are rising much more quickly than total military spending and expenditures on military electronic equipment. According to the projections of American experts, for example, the U.S. military budget will increase 2.8-fold between 1980 and 1990 (from 141.7 billion dollars to 401.4 billion), expenditures on electronic equipment will increase 3.8-fold, but the funds spent by the Pentagon on computer equipment will increase 6.8-fold (from 6.7 billion dollars to 45.8 billion). Computers will become the main component of military electronics: Proportional expenditures on computers in total Pentagon expenditures on electronic equipment will rise from 33 percent in 1980 to 60 percent in 1990. Expenditures on software will display the most significant increase during this period--8.9-fold (from 4.4 billion dollars to 39 billion).<sup>12</sup>

Most of the funds spent by the Pentagon on computer equipment are expenditures on built-in computers designed expressly for military agencies and used in weapon systems. In 1980 expenditures on military built-in computers (including software) totaled 4.1 billion dollars (60 percent of all expenditures on computer equipment); in 1985 they will rise to 13.9 billion (75 percent), and by 1990 they will total 38 billion (83 percent). Annual shipments of such computers to the Pentagon are expected to increase from 10,000 in 1980 to 250,000 in 1990.<sup>13</sup>

According to American experts, this kind of software entails a new form of follow-up operation, consisting in the perfection and modification of programs during the operational process. Therefore, there are two types of expenditures on software--on their initial programming and on subsequent follow-up operations. The latter type of expenditures are constantly increasing in

connection with the increased demands made on programs during their life cycle (which has increased in some cases to 15-20 years), errors in the development of previous varieties and technological defects precluding the necessary subsequent modification of programs. By 1990, expenditures on follow-up operations are expected to be 13.8 times as high as they were in 1980 (a rise from 2 billion dollars to 27.5 billion), and their share of total Pentagon software appropriations is expected to rise from 43 percent to 70 percent. Programming expenditures, on the other hand, are expected to increase only 4.8-fold (from 2.4 billion dollars to 11.5 billion), including a 2.2-fold increase in programming costs for central networks and a 6.3-fold increase in programming costs for weapon systems.<sup>14</sup>

#### Programmer Labor Productivity

The need to enhance the operational efficiency of programmers is now a central issue, because the use of computers is being impeded by the insufficient quantity of applied programs. The Defense Department and large firms are trying to correct the disparity between the rapid growth of computer access and the shortage of software. This is being accomplished through the development of technology and equipment for the automation of software engineering and standardization.

In addition to the compilation process, programming includes systems analysis, planning, the compilation of a flowchart, debugging and testing on a computer. The process is difficult to manage, largely as a result of defective methods of programmer performance evaluation. In the United States the productivity of programming labor is measured as the ratio of the "net" volume of software in instructions or lines of text in the initial programming language to labor expenditures in man-months on its development. The "net" volume is the volume of software tested and transmitted to the consumer. The entire programming cycle is included in calculations of labor expenditures: from the preparation of the general technical order to the delivery of the software to the client. The developers include administrators, analysts, systems engineers, the actual programmers and the junior technical personnel responsible for routine and final documentation.

Various methods of collecting and calculating primary statistical data are used to evaluate the performance of program developers and the factors influencing this indicator: expert appraisals, retrospective records and statistical analyses. The data on various categories of software cited by American experts attest to widely divergent (of 10-20 times) evaluations of labor productivity. This is connected with the difficulty of the quantitative calculation and measurement of many factors influencing these evaluations.<sup>15</sup>

The productivity of programming operations is expected to rise as a result of the extensive use of automated devices and the improvement of programmer training and working conditions. Special attention is being paid to the "human factor," as this holds out the most promise. The term "human factor" covers not only the level of personnel training, but also the recruitment and professional advancement of the most capable personnel and the offer of higher salaries to them. The assignment of most projects to a small group of

the most highly qualified specialists and the appointment of programmers responsible for the enhancement of labor productivity have also been suggested. The improvement of working conditions will entail the installation of terminals in each work area, as well as special office furniture, duplicating machines, record files and separate communication systems. In the opinion of American engineers, "not every organization is capable of providing programmers with all the facilities they need, but all of them can guarantee normal working conditions. In any case, they can offer programmers the same operational conditions as computers."<sup>16</sup>

American experts attach great importance to the automation of programming and the use of progressive methods in technology. In particular, they have recommended the analysis of technical assignments and the subsequent development of programs "from top to bottom," with special equipment for the verification of programs, their modular construction, structural programming and libraries of standard modules. Around 200 various systems<sup>17</sup> are now being offered on the American programming automation market, but their exact descriptions and technological components have been kept secret by American firms and have not been made public.

The most reliable data on the productivity of the labor of American programmers as of 1980 were the following:

Around 50-70 instructions per man-month for complete control and data processing programs in real time with strictly limited computer resources (software of the third category);

Around 150-200 instructions per man-month for complete control and data processing programs with no strict limits on computer resources (second category);

Around 300-500 instructions per man-month for research functions and modeling in the high-level FORTRAN and PL/1 languages (first category).<sup>18</sup>

The labor productivity forecast for 1985 and 1990 in Table 1 is based on the assumption that the capacity for growth is greatest in the case of programmers of software of the third category, as these programs still involve little use of high-level languages, interactive development and debugging, database engineering, standard dynamic debugging devices, standard modules from program reserves, etc. The annual increase in the labor productivity of developers of the third category of programs is equivalent to 7-10 percent. In the case of the second and first categories, however, the abovementioned devices are already being used quite extensively, and labor productivity here can be augmented only through general technological improvements and the enhancement of programming skills. Therefore, the rate of increase is not expected to exceed 4-5 percent a year.

#### Number of Specialists

The total number of workers engaged in software programming and follow-up operations for civilian and military use in the United States was estimated

at 756,000-850,000 in 1980.<sup>19</sup> Software experts include not only the people directly responsible for the compilation of the program, but also the systems analysts who give the programmers their assignments and the personnel engaged in the verification and testing of programs, the administrative staff and auxiliary technical personnel. Since the number of programmers can rise 4 percent a year but a rise of 12 percent is needed to satisfy the demand for these specialists, the shortage of 50,000-100,000 in 1980 will reach a million by 1990.<sup>20</sup>

Table 1

Projected Rise in Programming Productivity in United States, 1980-1990  
(in instructions per man-month)

<u>Software category</u>	<u>1980</u>	<u>1985</u>	<u>1990</u>
For real-time weapon systems (third category)	50-70	75-105	100-140
For reference data systems and central networks (second category)	150-200	180-250	220-300
For research and modeling functions (first category)	300-500	370-600	450-700

Calculated according to data in: COMPUTER WORLD, 1982, No 3, pp I-XVII; ELECTRONIC DESIGN, 1 August 1981, pp 190-199; DATAMATION, 1980, No 6, pp 188-197.

Table 2

Projected Software Output for U.S. Military Systems, 1980-1990  
(in millions of instructions a year)

<u>Software category</u>	<u>1980</u>	<u>1985</u>	<u>1990</u>
Third category (for real-time weapon systems)	24	86	177
Second category (for reference data and central systems)	42	52	65
Third and second categories	66	138	242

Calculated according to data in: COMPUTER, 1983, No 3, pp 52-59; ELECTRONIC DESIGN, 1 August 1981, No 1, pp 109-199; DATAMATION, 1980, No 6, pp 188-197.

There are no exact data on the number of programmers in civilian and military fields or on the categories of programs. For this reason, indirect methods of assessment are used. In accordance with these methods, the estimated number of specialists engaged in military software programming and follow-up operations in 1980 and their projected number in 1985 and 1990 are derived by dividing Pentagon expenditures by the cost of a single programmer's man-year (45,000 dollars).<sup>21</sup> The projected cost of a man-year for 1985 and 1990 was derived on the basis of the inflation-related triple increase in nominal wages in the United States in the previous 20 years (1959-1979). Therefore,

the salary of a programmer can be expected to increase by 31 percent over 5 years, and the cost of 1 man-year (with the retention of 90 percent of the overhead costs) will be 59,000 dollars in 1985 and 77,000 in 1990.<sup>22</sup>

Employing these data and the total expenditures on military programs, we can calculate that around 100,000 programmers worked for the Pentagon in 1980, or 13 percent of the total number of programmers in the United States. Over 10 years the number of programmers working on military software should increase fivefold (to 500,000). The number of specialists engaged in follow-up operations will increase eightfold (from 45,000 to 350,000), while the number of program engineers will triple (from 55,000 to 150,000). Securing this large increase in the number of specialists over the current decade is an extremely difficult matter in view of the complexity of their training. Evidently, this is one of the main reasons why the development of programs for the Pentagon ranks third among the 17 leading military technologies.

Data on the number of programmers allow for the indirect assessment of two other interesting indicators: the total output of software and the cost of a single instruction. Program output depends on the number of specialists and the productivity of their labor. Estimates of software output in natural terms (instructions) for various categories of programs are presented in Table 2.

Labor productivity and salary levels aid in estimating the cost of a single instruction. The cost of developing a single instruction in programs of the third category was 63 dollars in 1980 and should drop to 54 dollars by 1990 because the rise in the productivity of labor involved in programs of this category exceeds the rise in the relative cost of programming due to inflation-related salary increases. For programs of the second category, the cost is expected to rise from 21 to 30 dollars, because the rise in the productivity of the labor involved in these programs is much lower than in the case of the third category.

The rapid increase in expenditures on military software production and the worries about the number of specialists and the productivity of their labor indicate that exceptional importance has been attached in the United States to this invisible component of modern weapon systems. High-level Pentagon officials regard the United States as the leader in software production and view the possible loss of this leadership as something just short of the loss of military superiority. In the striving for this superiority, the U.S. administration and military-industrial complex are making a tremendous effort to "intellectualize" weapons and control them electronically, and they therefore attach special significance to the improvement of software.<sup>23</sup>

#### FOOTNOTES

1. ELECTRONIC NEWS, 15 June 1981, pp 10, 48.
2. Ibid., 14 June 1982, pp 1-4.

3. COMPUTER WORLD, 1982, No 3, pp I-XVII.
4. COMPUTER, 1983, No 3, pp 78-80.
5. COMPUTER WORLD, 1982, No 3, p 1.
6. COMPUTER, 1983, No 3, pp 52-59; ELECTRONIC DESIGN, 1 August 1981, pp 190-199; COMMUNICATIONS OF THE ACM, 1981, No 11, pp 763-769.
7. ELEKTRONIKA, 1982, No 3, pp 95-97.
8. STARS--Software Technology for Adaptable and Reliable Systems.
9. ELECTRONIC DESIGN, 12 May 1983, pp 71-72; COMMUNICATIONS OF THE ACM, 1980, No 11, pp 617-619. Real-time built-in computers are computers representing a structural and functional component of a weapon system (complex or device), processing data and performing control functions during the course of natural time changes.
10. DATAMATION, 1980, No 6, pp 188-197.
11. Ibid.
12. ELECTRONIC NEWS, 15 June 1982, pp 10, 48.
13. DEFENSE ELECTRONICS, 1982, No 11, pp 85-91; ELECTRONIC NEWS, 15 June 1982, pp 10, 48.
14. COMPUTER, 1983, No 3, pp 52-59; DEFENSE ELECTRONICS, 1982, No 10, p 85.
15. ELECTRONIC DESIGN, 1 August 1981, pp 190-199.
16. COMPUTER WORLD, 1982, No 3, p XI.
17. ELECTRONIC DESIGN, 23 June 1981, pp 73-110.
18. Ibid., 1 August 1981, pp 190-199; DATAMATION, 1980, No 6, pp 188-197.
19. COMPUTER, 1983, No 3, p 78.
20. Ibid., pp 52-59, 78-80.
21. Ibid., pp 78-80.
22. "Statistical Abstract of the United States. 1980," p 432.
23. COMPUTER, 1983, No 11, pp 9-10.

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CHRONICLE OF SOVIET-AMERICAN RELATIONS (DECEMBER 1984-FEBRUARY 1985)

Moscow SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA in Russian No 4, Apr 85 (signed to press 25 Mar 85) pp 122-125

[Text] December

1 -- A published report said that the latest round of Soviet-American consultations on nuclear nonproliferation had taken place in Moscow and had entailed the exchange of opinions on a broad range of issues connected with the prevention of the appearance of new states possessing such weapons. The two sides also discussed preparations for the scheduled 1985 conference on the impact of the nuclear nonproliferation treaty.

3 -- M. S. Gorbachev received Co-Chairman D. Andreas of the American-Soviet Trade and Economic Council (ASTEC), chairman of the board of the Archer Daniels Midland firm.

4 -- K. U. Chernenko received prominent American businessman A. Hammer, the president and chairman of the board of the Occidental Petroleum Corporation. They discussed aspects of the current unsatisfactory state of relations between the USSR and United States and ways of correcting them.

6 -- K. U. Chernenko's reply to the appeal of the Fourth Congress of Physicians of the World for the Prevention of Nuclear War was published. In reference to the projected Soviet-American talks on all matters pertaining to nuclear and space weapons, K. U. Chernenko specifically said: "The Soviet Union is prepared to agree to the most radical solutions permitting progress toward the cessation of the arms race, the prohibition of nuclear weapons and their eventual total elimination."

8 -- During a press conference in Washington, President R. Reagan reaffirmed his commitment to the MX program, which has encountered increasing resistance from members of the American Congress and the public.

12 -- The latest session of the Soviet-American Standing Consultative Commission, created to aid in the implementation of the goals and provisions of the Treaty on the Limitation of ABM Systems, the Provisional Agreement on Some Measures To Limit Strategic Offensive Arms and agreements on measures to reduce the danger of nuclear war, came to an end.

The working group on Soviet-American relations of the Dartmouth Conference of Soviet and U.S. public spokesmen met in Washington. The Soviet delegation at this meeting was headed by Academician G. A. Arbatov, director of the Institute of U.S. and Canadian Studies, USSR Academy of Sciences.

January

3 -- Matters pertaining to the projected Geneva meeting of Soviet Foreign Minister A. A. Gromyko and U.S. Secretary of State G. Shultz in connection with the Soviet-U.S. agreement to negotiate nuclear and space weapons were discussed at the latest session of the CPSU Central Committee Politburo. A resolution was passed on the Soviet position.

The Senate of the U.S. Congress unanimously passed a special resolution advising President R. Reagan to take a "reasonable and flexible" approach to the projected Soviet-American talks.

6 -- K. U. Chernenko's response to the co-chairmen of the consultative conference of representatives of Christian churches, Doctor E. Post (United States) and Doctor K. Todt (Hungary), was published. It specifically said: "The Soviet Union attaches great significance to the negotiation of agreements with the United States on all of the matters pertaining to the non-militarization of space and to nuclear weapons."

7 -- Member of the CPSU Central Committee Politburo, First Deputy Chairman of the USSR Council of Ministers and USSR Minister of Foreign Affairs A. A. Gromyko met with U.S. Secretary of State G. Shultz in Geneva. A published joint Soviet-American statement said that the topic of the negotiations would be the group of issues pertaining to space and nuclear weapons--strategic and medium-range--and that all of these matters would be discussed and settled as a group. The purpose of the negotiations will be effective agreements to prevent the arms race in space and stop it on earth, to limit and reduce nuclear weapons and to strengthen strategic stability.

8-10 -- Plenary sessions of the working group of the Soviet-American Commission on Trade were held in Moscow. The Soviet delegation was headed by Deputy Minister of Foreign Trade V. N. Sushkov and the American delegation was headed by U.S. Under Secretary for International Trade L. Olmer.

9 -- In a speech in Geneva after his meeting with the U.S. Secretary of State, A. A. Gromyko said that "the Soviet Union is prepared to meet the United States halfway. We can only hope that the United States will do the same--in other words, that it will meet us halfway with a full awareness of the responsibility of both great powers."

At a press conference in Geneva, G. Shultz said that he regarded the meeting with A. A. Gromyko as an "important beginning."

10 -- At a press conference in the White House, President R. Reagan spoke at length on the results of G. Shultz' meeting with A. A. Gromyko in Geneva. He said that although there are many serious differences of opinion between

the United States and the USSR, both sides must be willing to work together wherever possible.

A session of the CPSU Central Committee Politburo heard A. A. Gromyko's report on his meeting with U.S. Secretary of State G. Shultz in Geneva on 7-8 January 1985. The importance of the agreements reached at this meeting on the subject matter and purpose of the Soviet-American talks on matters pertaining to space and nuclear weapons, which will be discussed and settled as a group, was unanimously confirmed. Special emphasis was placed on the fact that only the strict observance of all parts of this agreement during the projected talks will guarantee real advancement toward the cessation of the arms race, the elimination of the danger of nuclear war and the eventual elimination of nuclear weapons.

Soviet Minister of Foreign Trade N. S. Patolichev received prominent U.S. public and political spokesman D. Clark. They discussed the prospects for Soviet-American trade and economic relations.

13 -- At a meeting with a group of political correspondents, A. A. Gromyko answered their questions about several current problems in Soviet-U.S. relations.

14-16 -- The annual meeting of the Soviet and American UN associations was held in New York. Aspects of USSR-U.S. bilateral relations and the problems of international security and arms control were discussed at the meeting. At the end of the meeting the two sides negotiated the wording of a joint statement.

16-21 -- American Senator G. Hart (Democrat, Colorado) visited the Soviet Union as the guest of the USSR Parliamentary Group. During the visit he was received by A. A. Gromyko and L. N. Tolkunov, chairman of the USSR Parliamentary Group and chairman of the USSR Supreme Soviet Council of the Union. Hart also visited the Institute of U.S. and Canadian Studies, USSR Academy of Sciences.

27 -- The USSR and United States agreed that the talks on nuclear and space weapons would begin on 12 March 1985 in Geneva. The USSR delegation will be headed by Ambassador V. P. Karpov, who will simultaneously represent the Soviet side in one of the groups at the talks; in the two other groups the Soviet side will be represented by Ambassador Yu. A. Kvitsinskiy and Ambassador A. A. Obukhov. The U.S. delegation will be headed by Ambassador M. Kampelman, who will also represent the American side in one of the groups at the talks; in the two other groups the American side will be represented by Ambassador J. Taylor and Ambassador M. Glitman.

February

2 -- K. U. Chernenko's replies to the questions of American CNN television news correspondent S. Lurie were published. He repeated that the agreement on the subject matter and purpose of the Soviet-American talks is the right method, and perhaps the only one under present circumstances, of solving the

problems of nuclear and space arms, and that nuclear arms limitation, not to mention arms reductions, will be impossible without effective measures to prevent the militarization of space.

2-8 -- American Senator C. Mathias (Republican, Maryland) was in the USSR as the guest of the USSR Parliamentary Group. During his visit he was received by member of the CPSU Central Committee Politburo, First Deputy Chairman of the USSR Council of Ministers and USSR Minister of Foreign Affairs A. A. Gromyko, Chairman of the USSR Supreme Soviet Council of Nationalities A. E. Voss, Deputy Chairman of the USSR Parliamentary Group V. V. Zagladin and Deputy Chairman of the USSR Council of Ministers and Chairman of the State Committee of the USSR Council of Ministers for Science and Technology G. I. Marchuk.

3 -- The White House published President R. Reagan's report to the U.S. Congress on the imaginary Soviet "violations" of arms control agreements. The main object of the absolutely groundless accusations was the Soviet-American Treaty on the Limitation of ABM Systems.

6 -- Chairman of the Senate Foreign Relations Committee R. Lugar (Republican, Indiana) noted the importance of the projected Soviet-American talks on space and nuclear weapons for the relaxation of international tension, the reinforcement of stability and security in the world and the improvement of Soviet-U.S. relations.

6-7 -- A symposium in Yalta for Soviet historians commemorated the 40th anniversary of the Crimean (Yalta) conference of the leaders of the three allied powers--the USSR, United States and Great Britain.

7 -- In his traditional annual report to the U.S. Congress on the state of the union, President R. Reagan announced the "U.S. commitment to the search for just and verifiable agreements to diminish the risk of war and reduce nuclear arsenals" and also defended the necessity of conducting this search from a position of strength. In particular, he asked the legislators for full approval of the administration's military programs for the buildup of strategic offensive weapons and other weapons of mass destruction. He also took every opportunity to publicize his "star wars" plan.

13 -- Addressing the Conference on Disarmament in Geneva, Director K. Adelman of the U.S. Arms Control and Disarmament Agency tried to justify the unprecedented programs for the military rearming of the United States. He attacked the USSR viciously, unjustifiably accusing it of failing to observe existing international arms limitation agreements.

19-20 -- A bilateral exchange of opinions by experts from the USSR Ministry of Foreign Affairs and the U.S. State Department on the situation in the Middle East was held in Vienna. The Soviet side was represented by V. P. Polyakov, member of the Collegium of the USSR Ministry of Foreign Affairs and chief of the Middle Eastern Countries Department, and the American side was represented by U.S. Assistant Secretary of State R. Murphy.

20 -- In the Kremlin, A. A. Gromyko received American public spokesmen R. McNamara, R. Schmidt and N. Gaylor, who were in the Soviet Union as part of the delegation of the American Committee for East-West Accord. They discussed the present state and future prospects of Soviet-U.S. relations.

21 -- At a press conference in the White House, Ronald Reagan reaffirmed Washington's intention to begin the deployment of space weapons. He also announced a "forthcoming decision within the next few months" on the SALT II treaty, which the United States has refused to ratify although it has pledged to observe its basic provisions.

Democratic Congressmen B. Boxer (California) and N. Mavroules (Massachusetts) submitted a draft joint resolution of both houses of the Congress, requesting the administration to resume the talks on the total and universal nuclear test ban treaty, for discussion in the Congress.

22 -- In a campaign speech on the projected Soviet-American talks in Geneva, K. U. Chernenko quite clearly described the USSR's intentions: We will not strive for any kind of unilateral advantages over the United States or the NATO countries; we want to end the arms race, and not to continue it; we want the genuine reduction of weapon stockpiles. He called upon U.S. leaders to take a serious and conscientious approach to these talks. He also expressed the opinion that the leaders of the USSR and United States could commemorate the 40th anniversary of the end of the most horrible and destructive of all wars by the joint affirmation, in a form acceptable to both sides, of the spirit and essence of the principal obligations assumed by the two countries at the end of the war and in the agreements of the 1970's.

27 -- Addressing the Senate Committee on the Armed Services, U.S. Secretary of State G. Shultz alleged that the MX program is needed to secure the success of American diplomacy at the new Soviet-American talks in Geneva. Secretary of Defense C. Weinberger expressed the same sentiments in his address to the committee.

28 -- A news release was published on the statement issued by the USSR embassy in Washington to the U.S. State Department about the slanderous campaign launched in the United States in connection with the administration's latest "report" to the American Congress with regard to the Soviet Union's alleged "violations" of its international commitments. The unfounded and unsubstantiated accusations in the report were denied vehemently. The document stressed that the USSR has scrupulously fulfilled its international obligations.

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